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ABSTRACT

The economic and physical decline of urban neighborhoods has become a widespread and widely misunderstood phenomenon in post-war America. It has not been restricted to aging central cities: most growing cities and many suburbs possess areas of decay as well. After decades of changing occupancy, dwellings have fallen into disrepair, and the quality of public facilities and services has also declined. But a scattering of neighborhoods, only recently regarded as hopelessly decayed, have experienced visible regeneration, often without material government assistance. Because these patterns of decline and rebirth are poorly understood, they raise important questions for analysis and policy. This essay examines the meaning and causes of neighborhood succession, and the relationship between succession and decline. The essay is divided into the following parts: (1) The Determinants of Spatial Separation of Income Groups; (2) Residential Neighborhoods and Submarkets: Some General Concepts; (3) The Concept of Neighborhood Succession; (4) A Framework for Analyzing Neighborhood Succession; (5) Processes and Causes of Neighborhood Succession; (6) The Causes of Neighborhood Physical Decline; (7) Neighborhood Abandonment; (8) Formulating Neighborhood Stabilization and Revitalization Strategies. Four figures are included. (BJV)

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THE DYNAMICS OF NEIGHBORHOOD CHANGE AND DECLINE

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June 1986

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INTRODUCTION

The economic and physical decline of urban neighborhoods has become a widespread and widely misunderstood phenomenon during the post-war period in much of the developed world and especially in the USA. It has not been restricted to aging central cities. Most growing cities and not a few suburbs possess swaths of decay as well. By contrast, many older residential neighborhoods have retained their initial environmental quality. Indeed, with growing national income and the expansion of both private and public services most neighborhoods probably offer more attractive living environments today than when they were first constructed. And a scattering of neighborhoods, only recently regarded as hopelessly decayed, have experienced visible regeneration, often without material government assistance. A large proportion of old urban neighborhoods, however, have become less desirable and many are badly deteriorated. Dwellings have fallen into disrepair, and the quality of public facilities and services has also suffered. After decades of changing occupancy, these neighborhoods are now inhabited by residents of much lower socioeconomic status than the original occupants.

Because these patterns of decline and rebirth are poorly understood, they raise important questions for analysis and, ultimately, policy. What are the various factors which cause U.S. neighborhoods to pass from higher- to lower-income groups? Do the same or a different set of variables cause neighborhoods to deteriorate? Is neighborhood decline inevitable once it has proceeded beyond a certain point, or can decline be halted or

reversed at any point in the process? If reversal is possible, what must be made to happen in order to bring about that result? And is reversal sometimes a zero-sum game, in that gains in one neighborhood are realized only at the expense of worsened conditions elsewhere? Finally, do policies aimed at other housing objectives, such as maintaining a high volume of new construction, adversely affect neighborhood stability? These and associated questions present stimulating puzzles for solution. Although a number of studies have contributed to an understanding of the causes and consequences of neighborhood change, several aspects of such change are still in sharp dispute, and certain others have been lightly touched upon or overlooked.

Neighborhood policy is invariably based upon some "theory of the problem." Plainly, if that theory is inaccurate or incomplete, as we think current theories are, it may lead to "solutions" which are unavailing or worse. Currently, public intervention to arrest neighborhood decline assumes that much decline is premature or unnecessary. However, if as some persons feel, neighborhood decline -- like the decline of living organisms -- is the inevitable consequence of advancing age, it is not a problem that can be prevented or corrected. Similarly, if neighborhood decline involves no more than an inevitable transfer of obsolescing structures to ever-lower income groups, one might view the phenomenon as simply an occurrence having neither positive nor negative connotations. The problem for policy in this situation would have to do, instead, with the distribution of income in society. Finally, to the extent that decline of

individual neighborhoods is the consequence of rising living standards and the concomitant rejection of marginal segments of the housing inventory by those who can afford to maintain homes in good-as-new condition, one can regard decline in a generally positive light. Depending on the situation, therefore, neighborhood policies either could seek to prevent and reverse decline or could focus on techniques that would help neighborhoods adjust downward and prevent the effects of decline from the influencing surrounding areas.

This essay examines the meaning and causes of neighborhood succession, and the relationships between succession and decline. Its purpose is to cut through the conceptual morass of definitions and assumptions about neighborhood change and in this way to clarify the "theory of the problem." The essay has six substantive parts.

We begin by looking at why there is a tendency for spatial separation of income groups in urban areas, with higher income households congregating in exclusive neighborhoods and successively lower income households forming somewhat homogeneous, though less attractive, neighborhoods of their own. Without such separation the basic requisite for income succession would not exist. And although it might seem only natural that wealthy families should live in better surroundings than not so well-to-do households, there are in fact conflicting theories as to why this is so.

In the second section of the essay we explore various meanings of neighborhood and some of their implications for

theories of neighborhood succession and decline. A number of the explanations of succession and decline are substantially weakened by a flawed understanding of what a neighborhood really is and how it relates to the several different housing submarkets of which it usually is a part.

The third section of the essay discusses the concept of neighborhood succession and how it differs from the related concept of filtering. Although the essay could perhaps proceed without this discussion, we need a term to indicate, unambiguously, change in the socioeconomic characteristics of a neighborhood. "Filtering" is frequently used to describe such change, but because it has so many different definitions, its sue here would only serve to confuse things. The term succession itself, however, also can be interpreted in several different ways. Hence, it needs to be carefully specified.

With the above groundwork in place, we turn in the fourth and fifth sections to the heart of the essay -- an explanation of the succession process. Here we try to relate, in an internally consistent way, the various independent, intermediate, and dependent variables operating within neighborhoods, within the larger housing system, and within the economy as a whole, thus resolving some of the conflicts that exist among already competing theories of the process.

An understanding of neighborhood succession is but a short step away from an understanding of neighborhood decline, which is the focus of the next two parts of the essay. Unless decline precedes succession -- a possibility we discuss -- succession

must inevitably lead to decline if there exists within the community a poverty population of substantial size to inherit neighborhoods rejected by those who can afford to maintain them. Nevertheless, questions concerning how this inheritance takes place and whether it occurs unnecessarily because of market inefficiencies or for other reasons are matters of interest and dispute. Our treatment of some of the theories of decline, e.g., redlining, are necessarily brief and rely heavily on the work of others. Even so, the reader may find that by reviewing the various theories together, it is possible to place them in better perspective. Possibly the most widely misunderstood aspect of neighborhood decline is housing abandonment. Various discussions of abandonment either fail to distinguish between its cause and its often unfortunate consequences or assume that it is usually caused by market imperfections. These discussions conclude, therefore, that abandonment is a problem which should be prevented. Our view is quite different.

The essay closes with an evaluation of the general thrust of neighborhood stabilization and revitalization programs and with recommendations for a somewhat different approach to the objectives of the program. As a group, the programs can be criticized for their orientation to the present, the scale at which they address particular problems, and their lack of comprehensiveness. These, as well as broader problems of neighborhood stabilization are explored.

Two perhaps obvious points must be made before we begin. First, the neighborhoods that make up the universe in urban

America are richly diverse in character. No generalization about the processes by which they are formed or undergo change can be without exception. It must be understood, therefore, that each of our hypotheses and inferences is an abstraction from reality, applicable in most but surely not all specific contexts. Second, a full-blown theory of neighborhood change must explain not only why many neighborhoods decline but also why others remain unchanged or even flourish through time. Although we pay some attention to the latter phenomenon, our primary interest is in the causes and process of decline -- if only because it is that with which current public policy is most concerned. What follows, then, does not purport to be a comprehensive theory of neighborhood change, but rather is only a step in that direction.

I. THE DETERMINANTS OF SPATIAL SEPARATION OF INCOME GROUPS

We suggested at the outset that geographic separation of households according to real income lies at the core of the neighborhood succession process. Of course, in principle an income hierarchy of neighborhoods is not necessary to get the process started. If neighborhoods in a newly developing community were initially indistinguishable one form another on the basis of their income profiles, income separation could still develop with the passage of time, in the absence of special interventions to prevent such an eventuality. Equally, an hierarchical structure could evolve into one of entropy.[1] In

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[1] Also, if the income distribution were completely egalitarian but housing preferences differed and dwelling units were spatially grouped according to quality a neighborhood hierarchy would result.

general, though, it is accurate to say that if geographic separation of income groups fails to come into existence at some point in a community's development, succession almost by definition will not take place. It is extremely important, therefore, that the social and economic forces which produce separation be understood, particularly because it is these same forces which are creating the geographical isolation of lower income groups, the companion phenomenon of succession and decline.

At first blush, it might seem almost silly to inquire into the reasons for income segregation in urban communities. In every city, buildable sites vary in the amenities and accessibility they provide. So it is only natural that more wealthy families appropriate the most attractive areas and leave the less desirable ones to those who can afford nothing better. At the extreme, it is to be expected that the poor will reside down-wind from smoke-belching factories or near the railroad yards or other places no one prefers to be. This superficial explanation falls apart on slightly closer examination. Variations in attractiveness of sites should be reflected in square-foot land costs, yet very low-income households often occupy some of the highest-price locations. Since they can outbid middle- and upper-income households in the community for some locations, why do they not compete with these households for other land as well? and why, if low-income households pay so much for land, do any of them at all live in the path of noxious odors? Why don't they move upwind, and live in income-heterogeneous neighborhoods? Finally, if separation is the natural order of things, how does one

explain the fact that examples of just the opposite are often to be found? In the cores of large cities, in many small communities, and in some of the older affluent suburbs, such as those along Philadelphia's Main Line, the rich and the poor live in close proximity. Not surprisingly, given these anomalies, residential differentiation of socio-economic and other groups has been the object of scientific inquiry for a very long time.[1]

Basically, explanations of separation appear to fall into three categories, each emphasizing a different set of variables. The first (not chronologically), formulated originally by Muth, building upon prior work by Alonso as a foundation, is a long-run comparative statics analysis which explains separation in terms of certain transportation-cost, land-price and demand relationships, described below, that interact in such a way as to cause upper income households to gravitate toward the metropolitan fringe, with middle- and low-income groups settling progressively closer to the center.[2] The second explanation is oriented toward the social and physical environment of sites, rather than their accessibility and size. It particularly stresses the desire of many households to separate themselves visually and symbolically

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1 In this section and the following ones on succession and decline we do not cite some of the early contributions to the literature by R.E. Park and E.W. Burgess, Homer Hoyt, Walter Firey, or Lloyd Rodwin because the literature on residential differentiation and succession has evolved since their seminal contributions. Nonetheless, a number of ideas which we attribute to later authors can be traced back to this original group.

2 Richard F. Muth, Cities and Housing (Chicago: University of Chicago Press, 1969).
William Alonso, Location and Land Use (Cambridge, Mass: Harvard University Press, 1964).

from lower status households, and it ascribes importance to the public controls and private devices which contribute to that desire. The third explanation, unlike the first two, emphasizes the supply side of the real estate market. It is historical in nature and focuses on the immobility of housing units and the cost of new construction. We will examine each of these three explanations in turn.

Income Separation REsulting from the Trade-Offs which Different Income Groups Make between Accessibility and Land Consumption:

In Muth's tightly argued model, several simplifying assumptions are made in order to highlight the variables which he believes to be controlling. These assumptions may be grouped under three headings: Deterministic, spatial, and behavioral.

1. Deterministic: A precisely determined outcome to an economic model normally requires that the economic system and economic agents be well-behaved. In the access-space model, Muth assumes that housing producers and consumers seek maximal utility in the context of perfectly competitive markets for land and housing. This means, among other things, that all buyers and sellers are fully informed and that price signals are clear and provoke immediate optimizing adjustments.

2. Spatial: Muth assumes that housing development takes place on a previously undeveloped isotropic plain; i.e., a surface with no pre-existing structures or urban infrastructure to influence or interfere with contemporaneous urban development. He assumes, in addition, that apart from housing, all activities -- employment, recreation, etc. -- are located in the central business district (CBD).

3. Behavioral: Finally, Muth simplifies the nature of houses, households, and the housing markets. The key assumption here is that the only attributes of a house which generate satisfaction to its occupants are its location relative to the CBD and its size or number of space units. It is here that the accessibility-space trade-off emerges: the farther a household lives from the CBD, the higher will be its direct and opportunity costs of commuting; but, on the other hand, the price of space units falls with distance from the CBD because of their lesser accessibility.

Using these assumptions, a rather elegant mathematical proof is offered, leading to the following set of conclusions:

> "in order that a household in space with a member employed in the CBD (central business district) maximize its utility, two conditions must hold. The first, that housing and all other commodities be consumed in such quantities that the marginal utility per dollar spent is the same for all is quite well known. The second, that no small move can increase the household's real income, implies that housing prices must vary directly with the marginal cost of transport and inversely with a household's expenditures on housing. The two conditions together imply that the consumption of housing services by otherwise identical households must increase with distance from the CBD...
>
> "The greater a household's income the greater its expenditures on housing tend to be; hence the smaller must be the price gradient at, and the greater the distance from the CBD of, its equilibrium location. However, household income differences arise largely because of differences in the hourly earning opportunities of its members and, consequently, the value they would place on their travel time. Thus, on a priori grounds alone, the effect of income differences upon a household's location cannot be predicted.
>
> Empirically, however, it seems likely that increases in income would raise housing expenditures by relatively more than marginal transport costs, so that higher-income CBD worker households would live at greater distances from the city center."1

Mills has presented a proof of the same proposition and summarized it somewhat more succinctly, as follows:

> "A remarkably simple and realistic result can be stated: Suppose that the disutility of a mile of commuting is proportionate to the wage rate, and that the factor of proportionality is no greater for high than for low-income workers. Then, if the income elasticity of demand for housing exceeds 1, high-income workers live further from the city than do low-income workers. If the income elasticity is less than 1, high-income workers nevertheless live farther out, provided the demand for housing is not too inelastic with respect to its own price."
>
> "The result does not rest on coercion. In the model, the poor live close to the city center because it is the best place for them to live."[2]

Although it is not made explicit in these quotations, it is only the land component of housing services whose price varies inversely with distance from the CBD. It is because upper income groups both wish and are able to consume larger quantities of land than lower income groups, and because the cost of acquiring this land drops faster than their commuting costs rise, with increasing distance from the urban center, that wealthy households are found at the periphery.

In order to see the argument more clearly, a simple example may be helpful. Suppose that in a city where all employment is at the center and land is featureless, all transportation is by

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[1] Actually, as Muth recognizes elsewhere, few upper- and middle-income workers calculate their opportunity costs of travel time by reference to their hourly earning opportunities. Many work during the time they are in transit and most probably receive annual salaries. For most of them the opportunity cost of the work-journey is leisure foregone. The value of leisure is probably proportional to earnings, however, so his reasoning is essentially correct.

[2] Edwin S. Mills, Urban Economics (Glenview, Ill.: Scott Foresman and Co.) 1972. p. 71.

public vehicle at a money cost of $100 per year per mile per passenger, and the time cost of travel is perceived to be zero. Now imagine two groups of households both of whom spend one-fourth of their incomes for housing and one-twelfth for land and commuting costs combined. Their income and budget patterns might appear as follows:

Budget Item	Household Group A	B
Housing Structure	$1,500	$ 3,000
Land & Commutation	500	1,000
Other Consumption and Saving	4,000	8,000
Total Income and Expense	$6,000	$12,000

It can be seen that Group-A households would be willing to pay annual rent of $400 for a site located a mile from the CBD, since their commutation cost to that site would be $100 per year and they have allocated $500 to land and commutation combined. Their corresponding bids for sites that were two, three, and four miles from the CBD would be $300, $200, and $100, respectively. If they wanted, say, 1,000 square feet of land, their square-foot bids in each zone going outward would be 40 cents, 30 cents, 20 cents and 10 cents, respectively. Group-B households are able to make higher bids per square foot for all of the sites, but suppose they wished just to match the bids of Group-A households and get as many square feet at those prices as their budgets would allow. How much land would they be able to get in each commutation zone? In the one-mile, $100 zone, they would have $900 to bid for land, and thus be able to acquire 2,250 square

feet by matching the Group-A bid of 40 cents a square foot. In the next three zones, however, if they matched Group-A bids, they would be able to obtain 2,667, 3,500, and 6,000 square feet respectively. It is this increasing comparative advantage which impels them to move further out. According to Muth and Mills, the introduction of time costs -- which are higher for upper- than for lower-income groups -- reduces but does not eliminate this advantage. Neither do modest changes in assumptions about income elasticities.

The argument is both theoretically and empirically compelling. A large fraction of higher income households does live on the metropolitan fringe, and the preponderance of the urbanized poor does reside near the core. In addition, it is intuitively obvious and can be easily demonstrated that if the per-mile money cost of commutation is high but the time-cost is low or nil, high-income households will find it advantageous to live farther out, whereas if the reverse is true -- if time-cost is high because of a very poor transportation network, but money cost is low -- the poor will be pushed to the fringe, as they are in the urban areas of many developing countries. But do these truths confirm the Muth/Mills inference that geographic separation of income groups is explainable in general by reference to income elasticities of demand for residential land and travel time? A careful, if slightly flawed, empirical study by Wheaton strongly suggests not.

> "It is the view of some urban theorists that households of greater income select more distant suburban locations as a natural consequence of long-run spatial competition. For this to be the case, the income

> elasticity of land consumption must exceed the income elasticity of the cost of travel -- including the value of commuting time. Based on cross-section data, the results of this study [by Wheaton] strongly suggest that these two elasticities are very similar, in fact so much so that the spatial bidding for land of different income groups looks almost identical.
>
> The indirect implication of this result is that the long-run spatial theory of Alonso, Mills, and Muth empirically contributes little to the explanation of American location-income patterns."1

There is other less formal, but equally troubling, evidence that casts doubt on the Muth/Mills position. For example, even in fairly small cities where both time and money costs of commutation are negligible, higher income households tend to live at the fringe. Conversely, when cities become very large and the time required to reach the CBD from outlying areas becomes correspondingly greater, a pronounced tendency develops for many higher income households to reside near the urban core. Moreover, most cities have clusters of neighborhoods, each roughly equidistant

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1 W.C. Wheaton, "Income and Urban Residence: An Analysis of Consumer Demand for Location," American Economic Review, 67, 4: 1977, p. 630-631. Wheaton's conclusions derive at least in part from an assumption that housing preferences among households in the same broadly defined demographic groups are identical; i.e., that the households themselves are identical. No evidence of which we are aware supports this assumption, and there is considerable evidence to the contrary. Wheaton, however, feels that for the purposes of his analysis the assumption is acceptable. Whether this is so, we don't know. It is unlikely, though, whether any cross-section analysis will provide an adequate explanation of income separation. See, for example, William Grigsby, response to John Quigley, "Housing Markets and Housing Demand: Analytic Approaches," in Larry S. Bourne and John R. Hitchcock, ed., Urban Housing Markets: Recent Directions to Research and Policy (Toronto: University of Toronto Press, 1978, pp. 47-48. Also, W.C. Wheaton, "Monocentric Models of Urban Land Use," in Peter Mieszkowski and Mahlon Straszheim, Current Issues in Urban Economics, (Baltimore: The Johns Hopkins University Press, 1979) pp. 107-129.

from employment centers, but with differing income profiles. Taken together, these various pieces of evidence suggest that the model argues post hoc, propter hoc. It very persuasively demonstrates how a particular set of variables could produce a particular set of outcomes, but it fails to consider either observable exceptions to these outcomes or the fact that other variables might be at least as or more explanatory. Even as a simplifying abstraction of reality, it is misleading. This deficiency will become more clear as we describe the other two explanations for income separation below.

Income Separation Resulting from Environmental Preferences:

In his critique of the Muth/Mills type of trade-off model, Wheaton suggests that spatial externalities best explain the geographic distribution of income groups in cities. Richardson provides support for this view, citing a number of studies which suggest that consumers place much more weight on the living environment which a site affords than on its size or convenience to employment centers:

> "Ellis emphasized the importance of environmental preferences and neighborhood characteristics in residential location and decisions...Senior and Wilson pointed out that for some households (e.g., retired households) access to the workplace does not matter at all. Yamada stressed the role of environmental externalities..... Both Little and Kirwan and Ball explored the implications of the desire of most families to live in homogeneous neighborhoods. Several economists (Ellickson, Oates, Barr) have argued that public goods and the choice of local fiscal jurisdiction may influence location decisions,... At the empirical level, Richardson, et al. found that a "hybrid" model stressing inter alia environmental area preferences fitted much better than the standard trade-off model."1

Evidence to support the importance which households attach to environmental factors, broadly defined, abounds. No one, including Muth and Mills, would be likely to argue that point. Practically everyone wants to avoid crime, foul air, noise, visual ugliness, and poor public services. Compared to accessibility, the importance of both positive and negative environmental variables in the residential decisions of households has no doubt markedly increased, as huge investments in transportation infrastructure have made mobility within all but the largest metropolitan areas essentially frictionless for the automobile-owning sector of the population.

Less clear is how a near universal desire for a good living environment translates itself into geographic separation of income groups into neighborhoods that are fairly homogeneous with respect to socio-economic status or why environmental amenity and neighborhood socio-economic status appear to be correlated? It is simply that good environments cost more than mediocre or poor ones? Or does each income group seek separation in the belief that those who are significantly lower than they are on the income ladder have different, potentially incompatible, behavior patterns even though the nation is allegedly broadly middle class? Or is it that the physical environment upper-income households seek cannot be obtained even in middle-income areas; or that a prestigious neighborhood of expensive homes is an households seek cannot be obtained even in middle-income areas;

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[1] Harry Richardson, Urban Economics, (Hinsdale, Ill.: The Dryden Press) 1978, pp. 28-29.

or that a prestigious neighborhood of expensive homes is an important status symbol; or that more affluent households realize that the amount and quality of public services in neighborhoods vary with resident income? Economic models of residential location either ignore these questions entirely or deal with them in naive fashion.

What the sociological, cultural, and other forces involved, they do not play themselves out uniformly in the upper- and lower-price sectors of new- and used-housing markets. Developers of new homes find it difficult to sell a few expensive homes in modest-price complexes, or to market an entire subdivision of expensive homes in an area below its price range. However, a significant proportion of both new- and used-home purchasers buy beneath their financial means. A noteworthy example is Levittown, New Jersey where a section of expensive homes sold very slowly even though a sizable percentage of those who acquired the nearby tract houses could have afforded the more costly residences. Presumably, despite the outstanding reputation or appearance that appealed to upper income families looking for expensive homes, though it did attract a segment of the upper income market.

In smaller cities, the number of households is not large enough to generate exclusive neighborhoods of significant size, so the home itself may serve as the status symbol. And in some communities, status may be satisfactorily conferred in other ways -- through occupation, accomplishment, or ownership of other forms of visible wealth. So it would be an over-simplification to suggest that geographical separation of income group flows

from values deeply embedded in our society or even that large-scale geographical separation is the dominant pattern for urban America as a whole.[1] Yet there appears to be a strong preference for neighborhood environments that provide real or symbolic separation residents from lower income group. Witness the widespread practice of exclusionary zoning and the disinclination of builders to plan subdivisions that would interlard inexpensive homes among the more expensive ones, even where it might be financially feasible for them to do so if intermixing did not adversely affect demand. Furthermore, although the residential patterns in smaller towns, in foreign cities, in communities of an earlier era, and even in the gentrifying neighborhoods of our central cities all illustrate that satisfactory social and physical environments for the well-to-do can be produced in a variety of ways other than through geographical separation of income groups, separation is an accepted way of doing so. Households who seek separation for these reasons often sacrifice a good deal of accessibility to achieve it.

Why separation tends to place upper income households at the urban fringe and lower income ones near the center is, however, not directly addressed by the environmental-preferences model. By implication, those with higher incomes are outboard because of the superior environment there. But such reasoning is to some degree tautological, since wherever well-to-do households congregate, their immediate environs are likely to be more pleasant

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[1] Neighborhood residents often cognitively redefine neighborhood boundaries in order to maintain "micro" socio-economic homogeneity. Albert Hunter, Symbolic Communities (Chicago: University of Chicago Press, 197.

than neighborhoods occupied by populations with substantially less means. Moreover, part of the pleasant environment sought by many of those who can afford it is aesthetically pleasing open space, a fact which provides support for the Muth/Mills thesis. Still further, if the argument is that upper income households gravitate to the fringe not simply to find nice surroundings but also in order to escape unpleasant environments or high taxes, it fails to explain why the same spatial distribution of income groups is found in urban areas with very few undesirable sections and no tax havens. The explanation is clearly incomplete.

Separation Caused by the High Price of New Construction and the Immobility of Housing:

Missing from the two previous explanations of income separation is any attention at all to the supply side of the residential real estate market, and in particular to how the nature of the product affects the dynamics of urban growth. For a number of reasons -- including the unequal distribution of income and wealth, the strict enforcement of building codes that preclude the creation of shanty towns, the high cost of infra-structure, and their pattern of consumer preferences -- a very large fraction (perhaps 50% or more) of all American households are not potential buyers or renters of newly build dwellings. Phrased loosely, they cannot afford new homes. As a consequence, when unsubsidized residential construction occurs either in response to rising incomes or population growth or the improved accessibility of undeveloped land or for any other reason, it will be occupied by upper income households.

New construction can occur either on suitable vacant land, most of which is on the urban fringe, or on sites already

occupied by income producing real estate. Since most buildings cannot economically be moved, the latter approach is normally much more expensive than the former. An acre of attractively located urban land that might bring $100,000 if it were vacant, would usually cost five to ten times that amount if good-quality occupied buildings were on it. So, excluding expensive but undesirable urban sites that would not attract upper income demand, residential construction has two locational alternatives: build on relatively cheap vacant land at the fringe; or demolish existing buildings and replace them with much higher density structures, usually elevator apartments, thereby spreading the high cost of land acquisition over a large number of individual units. The variant of new construction is substantial rehabilitation of older residential or non-residential structures. As with supercession of exsiting dwellings by higher density structures, however, the market situations in which this is both physically possible and financially attractive are fairly limited. The demand for structures is especially constrained by their much higher per square foot construction costs relative to single-family homes.

Thus, most new construction historically has been on the urban fringe, whether at the row-house densities of many 19th century cities or on the large suburban lots of today. And upper income households predominate at the fringe, because they are the only ones who can afford it. Their only alternative is already built-up land-- not vacant land as in the Muth/Mills model -- that is either inordinately expensive or in an undesirable

location. This trade-off, recognized as early as the mid-1920's, appears to have been ignored by urban economists for at least 50 years, and even today is not prominent among the economic models of urban growth.[1]

In brief, neither the accessibility/land-consumption trade-off which the Muth/Mills model postulates nor the trade-offs assumed in the environmental-preferences model incorporate realistic assumptions about either the supply side of the housing market or urban growth dynamcis. The models do not reflect the choices with which consumers are actually confronted in making their locational decisions. Once land has been developed, a wide range of otherwise competitive kinds of development is foreclosed, and, what is more, the range of feasible uses for nearby, still empty land is also significantly constrained. The present distribution of land uses and population can be fully understood only if account is taken of the way in which the durability, immobility, and production cost of housing have affected the historical development of cities. Even though wealthy groups may prefer locations close to the core, they cannot afford them, except at the high densities

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[1] Ernest W. Burgess, "The Growth of the City," in Robert E. Park, Ernest W. Bergess, and Roderick McKenzie, The City (Chicago: University of Chicago Press, 1925). Recently, urban economists have begun to explore "vintage models" of urban land use where in a pre-existing stock of housing constructed in an earlier period shapes contemporary location patterns. Se, Richard Muth, "The Influence of Age of Dwellings on Housing Expenditures and Location," in Gregory Ingram, Residential Location and urban Housing Markets, (New York: National Bureau of Economic Research, 1977), pp. 3-22. Arthur Robsen, "Comparative Statics of the Market for a Consumer Durable with an Age/Quality Structure: A Reprise of Models of Urban Structure," Journal of Economics 11 (March 1982), pp. 169-179, Wm. Wheaton, "Urban Spatial Development with Durable but Replaceable Capital," Journal of Urban Economics 12 (July 1982), pp. 53-67.

which supercession would necessitate. For the dynamcis of urban growth to be reversed, that is for an expanding upper income population to be able to push a substantial fraction of lower income households to the periphery, either residential structures would have to be mobile or the enforcement of building codes would have to break down, permitting construction of the shacks and jerry-built housing characteristic of rapidly urbanizing cities in developing countries.

The Muth/Mills model argues against this position on the grounds that in the long run, housing capital is mobile; hence that as structures near the center wear out, reasonably priced sites do become available for use by upper income households. Such reasoning, however, ignores the typically poor surroundings of these sites.[1] In absence of publicly assisted redevelopment on a large scale, attractive alternatives to construction at the fringe do not normally exist even in the long run. To this extend environmental preferences are helpful in explaining urban growth dynamics. And central-city attempts to draw high-income households to the core do provide a weak test of the Muth/Mills hypothesis; weak because although suitable sites have become available at the center, the entire intra-urban configuration of jobs is quite different from what is postulated in the Muth/Mills model.

Conclusions:

It is not necessary for our purposes to choose among the

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[1] As Muth himself recognizes. Muth, op. cit. pp. 94-99.

competing demand- and supply-side explanations of income separation. Each has explanatory power at a particular geographical scale and over a particular time frame. They should be joined into a more general theory of separation that includes other variables as well. Preferences with respect to both accessibility and environment obviously have an important bearing on locational decisions of households. So, too, do construction costs and immobility of housing structures, factors ignored by cross-sectional analyses of accessibility and environment, because they implicitly assume that everything is variable in the long run. The housing immobility/cost-of-new construction explanation contributes most to our understanding of the general process of income separation through suburban growth that is apparent in virtually all American metropolitan areas regardless of their size, age, or environment. By itself, however, it reveals little about income separation at the neighborhood scale, something that only environmental variables can explain.

Perhaps the most important point emerging from the explanations is that they all suggest a certain inevitability to the geographical separation of income groups. Whether separation is regarded as udnesirable or inconsequential, it is not, according to any of the explanations, primarily a product of imperfect market processes or of public design. Nor, strangely, is it even due entirely to consumer preferences. Yet, various social, governmental, economic, and market forces working in combination seem to make it part of the "natural" order of things, a fact which must have some influence on preferences

themselves. That a natural order is presumed should not be surprising, since non-residential uses in urban areas also exhibit a tendency to separate themsevles into homogeneous and complementary groups. The proclivity of households toward income separation, though, is offset to some degree by the preference of many households for neighborhoods that are relatively homogeneous with respect to other variables, such as race, ethnicity, religion, and life style; and also by the wide variation in housing preferences among demographically "identical" households. One cannot easily predict, therefore, whether income separation is likely to become more or less pronounced in the future.

For present purposes it is enough to note that income separation does occur at several different geographic scales, that there is variation in income within as well as across neighborhoods, and that while inlying neighborhoods are on average poorer than outlying ones there are also high-income neighborhoods in central areas and poor enclaves near the fringe.

II. RESIDENTIAL NEIGHBORHOODS AND SUBMARKETS: SOME GENERAL CONCEPTS

Our analysis of neighborhood change is complicated by the fact that despite the long history of interest in urban neighborhoods, consensus about precisely what they are or should be does not exist. Whether such disagreement really matters is an open question. One could argue that progress in a field of inquiry is not necessarily impeded by lack of concensus on definitions. Advances in medical science have not waited for agreement about what constitutes health, and the social programs of the 1960s produced many benefits while academics quarreled

over the meaning of poverty. It can be demonstrated, nevertheless, that the way in which neighborhoods are defined does affect the substance of stabilization and revitalization efforts, and, therefore, the likelihood of their success in different situations.

Operationally, neighborhoods are invariably defined as contiguous parcels of residential real estate that together comprise an areal unit of relatively small size, usually not more than half a square mile or so and frequently much less. In some instances, an entire city may be carved up into spatial units called neighborhoods; in other instances some parts of a city are delineated as neighborhoods while other parts remain undefined. Always, however, an attempt is made to draw boundaries that will separate dissimilar land uses and populations and include similar ones. Physical barriers separating residential uses, such as parks, rivers, or major commercial strips or transportation arteries facilitate the process of demarcation. Where there are no barriers, the dividing lines may be arbitrary, including zones of transition that reflect conflicting views among residents and others about where the boundaries should be drawn.

Although the operational specification of neighborhoods always proceeds along roughly the same path, with variations reflecting differences only in the extent to which intuition and formal analysis are used, conceptual views about what neighborhoods are or should be have shown no tendency to converge over the years. Divergence of opinion is as great now as when doubts about the concept of neighborhood first began appearing several

decades ago.[1] Everyone seems to agree, if only implicitly, that a neighborhood is a small residential area plus something else which distinguishes it from all other residential areas. That is, the segmentation of urban areas into subsections called neighborhoods is a useful exercise only because each subsection is not an exact duplicate of every other one. This differentiation occurs because, for a number of commonly recognized reasons, economic and social activity and population groups are neither randomly nor uniformly distributed across urban space. Similar, and often complementary, activities and populations tend to cluster together, giving rise to communities of interest based in part simply on spatial proximity and in part on the shared values or objectives that explain that proximity. If populations with similar characteristics, e.g., blacks or members of the medical profession, resided at scattered locations around an urban area, they would continue to comprise communities of interest but obviously not neighborhoods.

Conversely, though, whether a spatially proximate group of totally dissimilar households -- rich and poor, black and white, stable and unstable -- should be regarded as a neighborhood when their interests are quite different is much less a matter of agreement. this divergence of opinion has given rise to three distinct concepts of neighborhood. Some analysts prefer to view

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[1] For a review of these alternative opinions, see Albert Hunter, "The Urban Neighborhood: Its Analytical and Social Contexts," Urban Affairs Quarterly 15 (March 1979), pp. 267-88. An attempt to construct a unifying theoretical framework has been made by George Galster, "What is Neighborhood? An Externality-Space Approach," International Journal of Urban and Regional Research, Vol. 10 (June 1986), pp. 243-261.

neighborhood partly as a sociological or communications concept, much in the way in which it was perceived in the 1930s and 1940s. Following this view, a subsection of a city is a neighborhood only if "most of the residents are engaged in peculiarly dense and multi-functional communication and exchange and there is s sharp break in the interaction along a spatial boundary."[1] Some of those who favor this concept see neighborhood in ideological terms. If, through physical and social planning, a large number of internal social networks can be created, all sorts of beneficial results will occur. Social relationships will be less fragmented; people will develop a sense of place and lose their feelings of anonymity; problems of social control will lessen; and lives will generally be happier and more productive. Therefore, not only should neighborhoods be created in the design of new communities, they should be retrofitted into large metropolises where they are not already present. In the abstract, the concept has a small-town flavor, but in practice a great deal of importance is often attached to homogeneity of interests, ethnicity, or income as the glue which will hold the neighborhood together.

A somewhat different but overlapping view sees neighborhoods primarily as political units permitting participatory democracy with respect to various issues of local concern. While it might be desirable, according to this concept, if residents of an area interacted in numerous other ways, face-to-face contact on matters

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1 Seymour Mandelbaum, "Too Clever by Far: Communications and Development," Communities, 7, 1982, pp. 103-114.

involving public decisions is what is most important. The opportunity for such contact is lost if elected representatives are chosen on a city-wide basis, and if no decision-making power resides within smaller geographical units. Like the preceding notion of neighborhood, this one has ideological overtones.

A quite different conception of neighborhood argues that the social-network dimension of neighborhood is irrelevant and confusing. A small geographic subsection of a city even if it consists of a quite heterogeneous group of households who have little communication with each other should be regarded as a neighborhood, because the spatial proximity of residents would by itself dictate some minimal number of common, even if conflicting, interests in aspects of the social and physical environment was in any way threatened, a latent sense of neighborhood would manifest itself; otherwise it might remain indefinitely invisible.

We favor this concept of neighborhood because it accords most closely with the requirements of useful operational definitions. It may be possible initially to define neighborhoods in terms of communciation/exchange networks, leaving some areas undesignated, but over time as these networks change, it is completely impractical to keep changing neighborhood boundaries. It is much more sensible to keep the boundaries constant and measure change within them than attempt to keep the networks constant by adjusting the boundaries. Having defined a city's neighborhoods, it is extremely helpful to understand the networks,and it may be beneficial to increase and strengthen

various internal connections, but these activities lie outside the framework of definition. There is no minimal number of interactions that must occur before an area can qualify as a neighborhood. Beyond that, the types of neighborhood that become defined through social-network and demographic analysis tend to be precisely the opposite of the heterogeneous units which public policy has attempted to create through civil rights legislation, school busing, scattered-site subsidized housing, anti-snob zoning, and other similar efforts. The Housing and Community Development Act of 1974, for example, explicitly specifies neighborhoods within deversity as an important objective of social policy. Whether such an objective could be achieved without weakening social networks is an open question.

All of the three concepts of neighborhood are flawed in one vital respect. They ignore the fact that communities of interest associated with spatial proximity fall on a continuum starting at one end with households in adjacent dwellings and proceeding to city- or metropolitan-wide aggregations.[1] Different "neighborhoods" form around different values, objectives, and concerns. These neighborhoods not only nest, one within another, they also overlap. Thus, the neighborhood of residents within an apartment building or on a single street front may be entirely within a larger neighborhood of several apartment structures or street fronts, but the group of citizens fighting for a park near the adjoining edges of two different primary school districts would probably include families from both of these districts. Households readily perceive these multiple overlapping neighborhoods. If asked about the racial mix in their neighborhood, they

may think only in terms of their block or their block plus one or two adjacent blocks, whereas if asked about shopping facilities, they are likely to enlarge the boundaries of their imagined neighborhood to include destinations within walking distance. The importance of these three different concepts of neighborhood to stabilization neighborhoods and housing submarkets is understood. Families moving from one geographically defined neighborhood to another are assumed to be moving to a new submarket. Conceptually, however, the two entities are not the same, and in many instances the overlap between neighborhoods and submarkets is slight. Housing submarkets are collections of dwelling units which offer similarly perceived packages of housing services, the services themselves being functionally related not only to the structures but also to the yards immediate environment, locational accessibility, and public-service package. Submarkets exist when either the mix, the quantity, or the price per unit of housing services varies across the market as a whole. They are often comprised of non-contiguous pieces of real estate, e.g., tenure and structure-type submarkets, and their "boundaries" are constantly shifting. A dwelling unit or neighborhood may be in one submarket today and, through a change in one or more market variables, be in another one next year. By contrast only one of the conceptions of neighborhoods we have discussed permits movable boundaries and all require spatial contiguity.

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[1] For more on the continuum of various spatial levels of "neighborhood", see Gerald Suttles, Social Construction of communities, U. Chicago (1972). Also, Albert Hunter, Symbolic Communities, op. cit.

Two or more arbitrarily defined neighborhoods could easily prove to be in the same submarket. They are likely to constitute separate submarkets, i.e., are likely to be perceived to be different by buyers and renters, only if they are distinct in locational or internal characteristics. More precisely, it is useful to define neighborhoods as submarkets if:

(1) different neighborhoods supply different mixes of characteristics which cannot, without major public or private investment, be replicated elsewhere; i.e., attribute-mix supply is price inelastic.

(2) demand is inelastic with respect to location or attribute mix, and price differences per unit of housing service persist because households are prepared to bid-up prices rather than relocate.

(3) neighborhoods have sharply defined edges, separating markedly different housing packages.

The locational attributes of a dwelling that are important in the decisions of families to either locate in or avoid a particular neighborhood and in the decisions of mortgage institutions to make loans there may define a geographic submarket that extends beyond particular neighborhood boundaries. Families might, for example, be most concerned about the quality of schools situated some distance away but serving neighborhood children. In other words, although households may define their neighborhood as the area within which they can walk or with which they have some familiarity, neighborhood at that scale is not necessarily involved in an important way in their residential choice and

satisfaction. What is internal to their submarket may only slightly overlap what is internal to their neighborhood. It follows that a change in one or more important attributes of a submarket, regardless of whether the change is specific to a particular neighborhood, will trigger a residential shift in households from one submarket to another and, in the process, from one neighborhood to another.

The weight which households attach to different neighborhood and community attributes is a function not only of their own preferences but also of the extent to which these attributes are broadly or narrowly distributed across space. The more broadly distributed are certain attributes, the more important will other attributes become in the residential decision. Only a few may be neighborhood specific. Hence, although subdivision of communities into "neighborhoods" for planning purposes has much to commend it, such an exercise may easily lead to erroneous inferences about what these geographic units really mean in the lives of the residents, and what issues and problems can be effectively addressed at that level in different types of city. In addition, arbitrary delineation of neighborhoods may have the effect of papering over important questions concerning which decision-making responsibilities and which service-delivery functions might usefully be decentralized to what sub-units of a city or urban area. Since the quality of much of what is consumed in urban areas, e.g., air, water, education, and health care, should be as constant across space as possible, it is far from clear how variety should be built into the urban system through the development of distinctly different neighborhoods

that collectively satisfy a range of preferences and undertake a range of service-delivery responsibilities. Finally, demarcation of neighborhoods may focus attention on boundaries which residents may not recognize at all and which, therefore, may be meaningless with respect to many components of a neighborhood stabilization strategy. Despite these complexities, all of them well-discussed by others, we feel that, well or poorly defined, spatially definable housing submarkets -- whether they be called neighborhoods or something else -- do exist in cities, and they do change in character over time. We, therefore, find no compelling reason to abandon "neighborhood" as our unit for analysis of intra-urban residential dynamics. As will be seen, however, we approach the subject within a conceptual framework based on the notion of housing submarkets, since neighborhood change can be properly understood only within such a theoretical context.

III. THE CONCEPT OF NEIGHBORHOOD SUCCESSION

It has long been recognized that as dwelling units grow old, they depreciate in real value unless they happen to be blessed with special site or locational advantages or are continually upgraded by their owners.[1] As depreciation occurs, the dwellings usually pass into the hands of households with successively lower incomes. This process, loosely labeled "filtering", is the principal means by which households unwilling or financially unable to acquire newly built units are said to obtain housing in the United States. Because residential

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[1] Richard Muth, Urban Economics Problems (New York: Harper-Row, 1975), p. 68.

structures in any particular neighborhood usually have been build at about the same time, have closely comparable locational characteristics, and are of similar original construction, capital depreciation and associated filtering are typically neighborhood-wide.

Although at very general level there is little disagreement among analysts concerning the contours of this housing-market process, opinions diverge sharply about precisely how filtering should be defined and what it involves. This is so because as dwellings change hands over the years, several different ghings are taking place simultaneously. There are both absolute and relative shifts in occupants' incomes, in prices and rents of their dwellings, and in amount and quality of housing services. Complicating matters, these movements frequently are not in the same direction. How to capture this complexity in a single definition is the unresolved problem. As a consequence, several definition is the unresolved problem. As a consequence, several different definitions of filtering have come into use, each including a different set of variables. None of the definitions is necessarily better or worse than the others. The existence of more than one does, however, create the potential for confusion in any discussion of neighborhood change and decline. For this reason, we briefly review several competing formulations and then suggest an alternative way of viewing neighborhood change that is more congenial to our analysis.[1]

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[1] For a very useful recent review of some of the conflicting views concerning filtering, see John C. Weicher and Thomas G. Thibodeau, "Filtering and Housing Markets: An Empirical Analysis", American Enterprise Institute, Washington, D.C., 1985.

Among the definitions of filtering that have been offered, the following probably collectively embrace the various competing views.

1. "This process ... is described most simply as the changing of occupancy as the housing that is occupied by one group becomes available to the next lower income group as a result of decline in market price, i.e., in sales price or rental value."[1]

2. "Filtering is a change over time in the position of a given dwelling unit or group of dwelling units within the distribution of housing prices and rents in the community as a whole."[2]

3. "Filtering is the term used to describe the process through which existing housing gradually declines in value, thereby making it available to groups of lower socio-economic rank."[3]

4. "A dwelling unit has <u>filtered</u> if, and only if, the quantity of housing stock contained in this unit has changed. A dwelling unit has <u>filtered up</u> if, and only if, the quantity of housing stock contained in this unit has increased. A dwelling unit has filtered down if, and only

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1 Richard U. Ratcliff, <u>Urban Land Economics</u> (New York: McGraw-Hill, 1949), pp. 321-22.

2 Ernest M. Fisher and Louis B. Winnick, "A Reformulation of the Filtering Concept," <u>Journal of Social Issues</u>, VII (1951), p. 52.

3 Roger S. Ahlbrandt, Jr. and Paul C. Brophy, <u>Neighborhood Revitalization</u>, (Lexington, Mass: D.C. Heath and Co., 1975), p. 9.

if, the quantity of housing stock contained in this unit has decreased."[1]

5. "Filtering is the process by which a change in the demand or supply, and then the price, of housing at one quality level produces (because of resulting demand shifts and housing stock shifts) an eventual change in the price and quantity of housing at some other quality level."[2]

6. "Filtering (changes in house prices and rents) must be measured while holding incomes, quality and space per person constant; or, in a more relaxed form, ... filtering occurs only when values decline more rapidly than quality, so that families can obtain either higher quality or more space at the same price or the same quality and space at a lower price than formerly."[3]

7. Filtering is "...the process by which dwellings descend over time from higher to lower income households. This shift...can sometimes take place without a drop in prices or rents... not all (price and rent) declines imply

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1 Edgar O. Olsen, "A Competitive Theory of the Housing Market," American Economic Review, LIX (Sept. 1969), pp. 612-622 (Emphasis in Original) Olsen noted that "in these definitions, 'housing stock contained in' could be replaced by 'housing service yielded per time period by.'"

2 Lawrence D. Schall, "Commodity Chain Systems and the Housing Market," Journal of Urban Economics, Oct. 1981, pp. 141-163.

3 William G. Grigsby, Housing Markets and Public Policy (Philadelphia: University of Pennsylvania Press, 1963, p. 97.

filtering...not all filtering involves a shift in occupancy."[1]

8. Filtering is "a change in the real value (price in constant dollars) of an existing dwelling unit." [i.e., simply depreciation].[2]

9. "We begin by viewing households rather than dwelling units as the active participants in the filtering process. That is, households filter through the housing stock, rather than vice versa. We then define filtering as follows: Filtering takes place when a household, without change in its income or tastes, experiences a change in its housing bundle to a different rank on its scale of preferences... This consideration elicits two significant corollary definitions -- for active and passive filtering: Active filtering occurs when a household experiences a change in the ranking of its housing bundle by moving to a different unit. Passive filtering occurs when the household does not move but experiences a change in the ranking of its housing bundle nonetheless."[3]

10. "Filtering in the housing market is the process in which the real housing consumption of families or households

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1 William G. Grigsby, et al., Rethinking Housing and Community Development Policy, Department of City and Regional Planning, University of Pennsylvania, 1977, p. 30.

2 Ira Lowry, "Filtering and Housing Standards," Land Economics, XXXVI, November 1960, p. 363.

3 Charles Leven, James Little, Hugh Nourse, and R.B. Read, Neighborhood Change: Lessons in the Dynamcis of Urban Decay New York: Praeger, 1976, p. 46.

changes over time, whether by depreciation or renovation of the same dwelling unit or the choice of a different dwelling unit (which may be newly constructed or have experienced depreciation, renovation, or conversion from a different type). the process involves changes in real incomes and in the relative prices of housing services."[1]

It can be seen that depending upon the definition, filtering is either a process or a set of outcomes and, if the latter, could involve, in differing combinations, change or no change in: occupancy; occupants' incomes; value or rent of dwelling units; price per unit of housing services delivered; or quality and quantity of services provided by housing units or neighborhood environs. Indeed the last definition implies that virtually any change in a system of neighborhoods is filtering. Such a range of views is not surprising that the literature is replete with controversy over whether filtering occurs or works. To expect a concept that encompasses so many processes and outcomes to be capable of succinct definition is to tax it too heavily.

Rather, therefore, than adopt any of the above definitions of filtering for use here, we believe that the analysis of neighborhood change is best approaches by choosing a different concept, "succession", introduced into the literature many years ago by Park and defined here approximately as in Leven et al. to mean a

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1 G.W. Davies, "Theoretical Approaches to Filtering in the Urban Housing Market, in L.S. Bourne and J.R. Hitchcock (eds. Urban Housing Markets: Recent Directions in Research and Policy (Toronto: University of Toronto Press, 1978).

change in the characteristics of the occupants of dwelling units over some time period.[1] There is no implied causal mechanism in this definition and a range of explanations of observed change can exist. Also, a number of different types of succession could be identified -- racial, income, social class, ethnic, and so on. Our focus here, however, is primarily on income, so in what follows that reference point should be assumed wherever it is not explicit. Except where otherwise stated, "succession" here means a shift from the economic group to another. Such a shift is usually, but not exclusively, associated with a change in occupancy. In some instances, in situ income change could occur. Whether this type of change should be regarded as succession is a question which can only be answered arbitrarily. In the discussion here, we depart from Park and include in situ change as "passive" succession, analogous to Leven's "passive filtering."[2] We also include income change arising from additions to or reductions in the number of occupied dwellings. This broader view permits succession to be measured simply by looking at the changing income profiles of neighborhoods. In contrast, as we shall elaborate later, if income succession were defined to include only situations in which there was a shift in occupancy, the focus of measurement would be on the changing income composition of inmigrating and outmigrating households.

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1 See Park, R.E., "Succession, An Ecological Concept." American Sociological Review, 1936, Vol. 1, 171-179. Also, Leven et al., op. cit., define succession as a change in a neighborhood's socio-economic composition.

2 Leven et al., op. cit.

A troublesome question arises as to whether succession should be defined as an absolute change in a neighborhood's income profile or as a shift in its profile relative to other neighborhoods. If, for example, the profiles of all neighborhoods in an urban area ere to rise or fall by 10 percent, would succession have occurred? Or what if a neighborhood's real income rose by 10 percent at the same time that incomes in the community as a whole rose 20 percent. Would the neighborhood have experienced upward succession or downward succession? Because of our interest in the relationship between succession and neighborhood decline, any absolute change in the neighborhood's income profile is treated as succession without reference to the direction of relative change.[1]

By "neighborhood succession," then, we mean a shift in the income profile of occupants of a geographically defined neighborhood of dwelling units. The focus is on groups of dwellings. Individual housing units may experience succession every time they change hands even if the group of dwellings of which they are a part has an unchanging occupant income composition overall. That random basis, up and down the income scale without any material impact upon the neighborhood's absolute or relative position on an income scale of neighborhoods. Consequently, individual shifts may

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[1] Empirically, there may be a problem in using resident income profiles. For various reasons, the central tendency of a neighborhood's income distribution may change over time, even though average income does not. For example, in several Philadlephia neighborhoods, rejuvenation in the owner-occupied sector but not in the rental sector caused a shift toward bimodality in the distributions. How should such a change be classified? The in situ constraint could also be criticized. If resources were available, it might be better to measure the changing number and characteristics of in- and out-migrants.

be ignored. The phrase "income profile" also underlines the reality that there is a range of household income in each neighborhood; a neighborhood containing households all with virtually identical real incomes almost certainly does not exist.

It is important to emphasize also that succession is defined without reference to the shifts in prices, rents, and housing quality that are central to one or more of the filtering definitions. The way in which these shifts relate to succession is an empirical, not definitional, question. They could precede, accompany, or follow succession depending on the circumstances. By our definition, the latter fact is controlling; no succession has occurred.

IV. A FRAMEWORK FOR ANALYZING NEIGHBORHOOD SUCCESSION

Although interest in neighborhood succession has historical antecedents among scholars who are simply trying to understand the structure and growth of urban areas and who had no immediate problem applications in mind, today it is concern about neighborhood decline and rebirth that impels most inquiries. If succession were not somehow intimately intertwined with decline, the subject would not have such a broad audience. The literature on neighborhood succession has a long history, dating at least from the 1920s when Park, Burgess, and McKenzie argued (among other things) that as housing ages it undergoes a sequence of occupancy to households with progressively lower income.[1] Later Homer Hoyt's classic

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[1] R.E. Park, E.W. Burgess and R.D. McKenzie, op. cit.

empirical work added much insight into the process.[1] More recently, Edward Banfield had provided an extremely useful description of metropolitan growth and neighborhood decay, synthesizing many of the earlier contributions.[2] Finally, a large number of economists have also contributed materially to our knowledge through rigorously formulated conceptual models subjected to quantitative testing and analysis.[3] Valuable as all of this prior work is, no single piece or combination of them lays the foundation we need for our inquiry into neighborhood decline. For that reason, it is necessary for us to outline our own explanation

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1 Homer Hoyt, One Hundred Years of Land Values in Chicago (Chicago: University of Chicago Press, 1933).

2 Edward C. Banfield, The Heavenly City Revisited (Boston: Little Brown & Co. 1974), Chapter 2.

3 Richard E. Muth, Cities and Housing (Chicago and London: University of Chicago Press, 1969).

James C. Ohls, "Public Policy Toward Low Income Housing and Filtering in Housing Markets," Journal of Urban Economics, 2, April 1975, pp. 144-171.

James L. Sweeney, "A Commodity Hierarchy Model of the Rental Housing Market, Journal of Urban Economics, 1, July 1974, pp. 288-323.

Frank de Leeuw and Raymond Struyk, The Web of Urban Housing (Washington, D.C.: The Urban Institute, 1975).

Jerome Rothenberg, "Urban Housing Markets and Housing Policy," in Samuel J. Bernstein, and W. Giles Mellon, eds. Selected Readings in Quantitative Urban Analysis (New York: Pergamon Press, 1978).

Mahlon Straszeim, An Econometric analysis of the Urban Housing Market, (New York: National Bureau of economic Research, 1975).
Anthony Downs, Neighborhoods and Urban Development, (Washington, D.C.: The Brookings Institution, 1981).

Gregory Ingram, "Simulation and Econometric Approaches To Modeling Urban Areas," in Mieszkowski and Straszheim, Current Issues In Urban Economies (Baltimore: Johns Hopkins Press, pp. 130-164.

of succession, demonstrating as seems appropriate its relationship to others.

The process of neighborhood succession is difficult to understand because so many different variables are involved, some of them internal to the neighborhood and others external, some operating on the supply side of the market and others on the demand side, and some truly independent and others only intermediate. At the risk of over-simplifying, we attempt to eliminate some of the complexity by describing, with the help of Figures A through D, how the housing market is structured and what variables may alter that structure over time. With this foundation in place, the variables themselves are examined in the next section.

Our description of market structure is based on our earlier discussion of submarkets. It begins with individual housing preferences. Through their residential decisions, consumers attempt to fulfill to varying degrees a wide range of needs and desires, each of which is related to one or more of the following: dwelling-unit sites, neighborhood, location, and public-service characteristics (Figure A).[1]

This general notion of housing as a package of attributes, each with a price, became commonplace in the 1970s. However, analysts who have applied the complex commodity idea to housing through the use of hedonic price indexes have not thus far been interested in

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[1] Consumer theory for complex commodities such as housing was formally introduced to the field of economics by Lancaster (Kelvin J. Lancaster, "A New Approach to Consumer Theory," Journal of Political Economy, Vol. 74, 1966, pp. 132-157) only 17 years ago, but has been well accepted in marketing and psychology for many years.

Figure A

CHART RELATING THE THINGS WHICH HOUSEHOLDS SEEK TO HAVE PROVIDED BY THEIR RESIDENTIAL SETTING TO DWELLING-UNIT ATTRIBUTES THROUGH WHICH THESE OBJECTIVES ARE SOUGHT

I	II
Households seek residential settings that provide in varying amounts:	By purchasing or renting dwelling units that vary with respect to:
Space and facilities efficiently arranged for certain household activities and recreation Healthful, safe, secure environment Physical comfort Visual, olefactory, and aural amenity Privacy and quiet, internal and external to the dwelling Confirmation of self-perceived social status Expression of self Assurance of peer-group acceptance Social mobility Convenient access to particular locations Financial security	Price Size Layout Building Material Architectural Style Equipment Condition Lot size and characteristics Neighborhood physical and social environment Neighborhood status Location re other land uses Quality and cost of local public services

Figure B

MATRIX SEGMENTING THE HOUSING MARKET INTO SUBMARKETS ACCORDING TO SUBMARKET AND HOUSEHOLD CHARACTERISTICS (X'S INDICATE POPULATED CELLS)

Types of HHs	Submarkets					
	A1	A2	A3	A4	A5 ···	An
H_1	X	X	X	X		
H_2		X	X	X	X	
H_3		X	X	X	X	X
H_4		X	X	X		
H_5		X	X	X		
↓			X	X	X	X
Hn				X	X	X

Figure C

MATRIX SEGMENTING THE HOUSING MARKET BY TYPE OF DWELLING UNIT AND NEIGHBORHOOD (X'S INDICATE POPULATED CELLS)

	Types of Dwelling Units					
N'hoods	A1	A2	A3	A4	A5	An
N_1		X	X			
N_2		X		X	X	
N_3	X		X			X
N_4	X		X			
N_5			X	X	X	
↓						
N						

the underlying preferences for security, status, etc. (Panel I in Figure A), but only in preferences for dwelling-unit and neighborhood characteristics themselves (Panel II). The latter probably are much less stagle than the former, since perception of the way in which a particular type or style of dwelling provides security, status, and other desired objectives are continuously changing. So despite all the research in this area, our understanding of housing preferences is still quite primitive.

Dwelling units or more precisely, housing packages, with generally similar characteristics will normally appeal to segments of the population that are similar with respect to their preferences for physical comfort, etc., the amount and type of housing they require to satisfy these preferences, and their ability to pay for different housing attributes. It is useful for a variety of analytical and policy purposes, therefore, to segment the total market for dwelling units into sub-markets according to demand and supply characteristics. Since housing preferences vary markedly among consumers with quite similar socio-economic characteristics -- a point too often overlooked in the formulation of housing programs -- demographically similar households scatter themselves among a number of submarkets (Figure B).

Taking the segmentation one step closer to what is necessary for our discussion of neighborhood succession, we must note the relationship between housing submarkets and neighborhoods. As discussed earlier, residential structures in a neighborhood are usually built around the same time on similar size lots in the same price-rent range and with almost identical locational characteris-

tics, so there is a tendency to view neighborhoods as submarkets. A single neighborhood, however, will often contain several different types of dwelling unit that appeal to different types of household and that are closely linked with similar dwelling units outside the neighborhood (Figure C). Conversely, because of the large number of variables which buyers and renters must trade-off, similar types of dwellings may be demanded by households having quite different preferences and constraints. In examining the dynamics of neighborhood change, the existence of these overlapping sets needs to be kept firmly in mind. Since there is a separate submarket of demanders for every dwelling-unit and neighborhood attribute, a small change in a highly valued attribute could shift consumers from one submarket to another, precipitating neighborhood succession. More will be said about this later.

The various neighborhoods in an urban region are linked together through the movement of households into and within the region. These connections can be expressed as a three dimensional matrix consisting of household types, neighborhood of origin, and neighborhoods of destination. The matrix, if filled with actual figures, would show the number of particular types of household moving to and within different neighborhoods each year. In a stationary economy or housing system, despite the steady movement of households the numbers in each cell would be expected to remain approximately the same year after year, and the population composition of each neighborhood would also not change. Subject to the qualifications in the next paragraph neighborhoods would maintain their income profile even though the incomes of inmigrants would

normally be either lower or higher than those of outmigrants. This is so because the profile of the sitting population would also be shifting over time as households moved through their life cycle. This fact is frequently lost sight of, as for example in calculations which measure the loss of central-city family income in terms of the difference between average incomes of inmigrants and those of outmigrants. The same reasoning, if applied to demographic analysis, would produce the absurd conclusion that the population is steadily growing younger because the average age of inmigrants into the world is about 60 years lower than the average age of outmigrants.

This constant internal motion within the system, in which the overall structure and magnitude of the system do not alter, is what John Stuart Mill termed "circulatory dynamics." It contrasts with situations in which the dimensions and structure of a system change over time, circumstances that Mill termed "change dynamics." Whether a block or a neighborhood or a larger area is experiencing circulatory dynamcis rather than change dynamics obviously depends in large part on the size of the area itself and the time frame under consideration. So the distinction between the two types of dynamics is to some degree arbitrary. Nevertheless, it is helpful in understanding neighborhood change.

In the real world of change dynamics, the pattern of moves will shift over time because:

(a) The number of households demanding various housing attributes increases or decreases as a consequence of shifts in population, incomes, and life-styles.

(b) The supply of neighborhoods offering differing mixes of attributes changes as new neighborhoods are created and as existing ones experience alterations in their characteristics (including their accessibility to other activities) or are removed from the inventory.

These changes will result, usually, in shifts in the number and type of movers from one particular neighborhood to another. The shifts are a reflection of neighborhood succession, although they do not reveal directly how much succession has occurred.

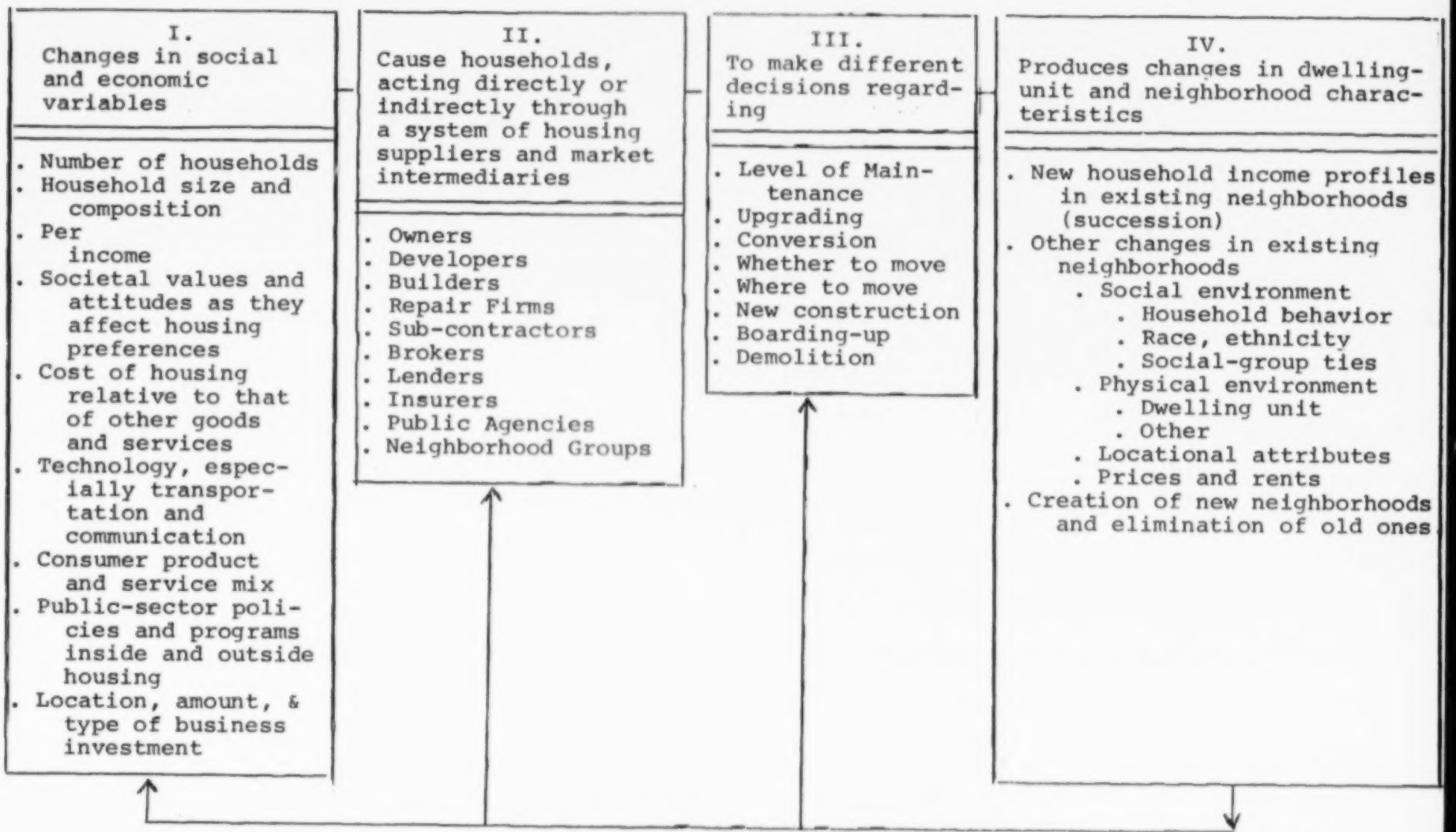
With this conception of housing submarkets and neighborhoods as a framework, it is now possible to describe in progressively greater detail how neighborhood succession occurs. We start with an overview of the process in Figure D. According to the figure, a change in any one of a number of social or economic variables (Panel I), acting through a system of housing suppliers and market intermediaries (Panel II), causes households to make different maintenance and moving decisions (Panel III), altering the characteristics of residential structures and their neighborhoods (Panel IV). These alterations may in turn feed back to one or more of the independent variables in Panel I or intermediate variables in Panel II, or household decisions in Panel III causing a second-round perturbation.

It can be seen that not all of the changes in housing and neighborhood characteristics in Panel IV imply income succession in the first round. Only a change in the household-income profile is equivalent to such succession. Notice also that the neighborhood characteristics (Panel IV) are treated essentially as dependent variables. This is in contrast to some explanations of neighborhood

Figure D

SCHEMATIC DIAGRAM DESCRIBING GENERALLY HOW SOCIAL AND ECONOMIC CHANGES, ACTING THROUGH THE HOUSING SUPPLY SYSTEM, ALTER THE CHARACTERISTICS OF DWELLING UNITS AND NEIGHBORHOODS

(Read clockwise from Panel I)


I.
Changes in social and economic variables
. Number of households
. Household size and composition
. Per income
. Societal values and attitudes as they affect housing preferences
. Cost of housing relative to that of other goods and services
. Technology, especially transportation and communication
. Consumer product and service mix
. Public-sector policies and programs inside and outside housing
. Location, amount, & type of business investment
II.
Cause households, acting directly or indirectly through a system of housing suppliers and market intermediaries
. Owners
. Developers
. Builders
. Repair Firms
. Sub-contractors
. Brokers
. Lenders
. Insurers
. Public Agencies
. Neighborhood Groups
III.
To make different decisions regarding
. Level of Maintenance
. Upgrading
. Conversion
. Whether to move
. Where to move
. New construction
. Boarding-up
. Demolition
IV.
Produces changes in dwelling-unit and neighborhood characteristics
. New household income profiles in existing neighborhoods (succession)
. Other changes in existing neighborhoods
. Social environment
. Household behavior
. Race, ethnicity
. Social-group ties
. Physical environment
. Dwelling unit
. Other
. Locational attributes
. Prices and rents
. Creation of new neighborhoods and elimination of old ones

succession and decline which argue that housing deterioration is an inevitable consequence of aging, hence an independent variable causing succession.1 We explore that questionable proposition later in the essay and also examine other possible ways in which succession could be internally generated.

V. PROCESSES AND CAUSES OF NEIGHBORHOOD SUCCESSION

Although Figure D indicates a connections among relevant variables involved in neighborhood succession, it fails to explain why and how these changes occur. To address these questions, we shall begin by examining the characteristics through time of a set of neighborhoods in a hypothetical community where all relevant variables are held constant (i.e., circulatory dynamics). We will then relax one variable at a time in order to trace the effects of its change on neighborhoods. The analysis starts with Panel I in Figure D. Each of three variables listed in Panel I -- per capita real income, number of households, and public-sector actions -- along with a composite variable, obsolescence, is considered in turn. A description of the changes in these variables upon both housing and neighborhood should be sufficient to give the reader a flavor of the larger set of processes involved, while at the same time revealing some not-altogether-expected relationships among the variables themselves.

We then treat several of the neighborhood-specific variables (Panel VI) in similar fashion. The housing-system variables (Panel IV) are not explored in this section on succession but, rather,

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1 And possibly implying that succession is a continuous process rather than one which occurs in discrete steps.

later in the essay as part of the discussion of the circumstances under which neighborhood succession turns into neighborhood decline. Given the importance which public policy attaches to the role of market intermediaries in situations of neighborhood change, it might seem more appropriate to inquire into their activities here as well as later. In our judgment, however, intermediaries are very unlikely to be prime movers of, as opposed to subsequent contributors to, a process of succession. If intermediaries have any significant role in neighborhood change, the role takes the form of actions that accelerate succession, producing adverse effects that would not otherwise have occurred.

Changes in Real Incomes

Imagine, a community in which size and composition of population, level and distribution of real income, consumer preferences, and technology remain constant for a period of years. Suppose too that all households in the community have incomes sufficiently large to permit adequate maintenance (whether by themselves or by landlords) of their dwellings. So that barring, then, an occasional fire or natural disaster the housing stock remains intact and in good repair through time. In these circumstances the only consequential changes that will take place are moves of households from one home to another, within the same neighborhood or to a different one, as a result of progress through their life-cycles because all other variables are held constant by assumption, the population composition of individual

neighborhoods will remain virtually the same as before. None will have passed into the hands of a higher or lower income group.[1]

What would happen in our hypothetical community if the level of real household incomes began rising, with all other variables remaining constant? Assuming householders as a group would like to upgrade their housing conditions as their financial means permitted, they would have two choices. They could upgrade in place: add rooms, renovate the interior or exterior, install new equipment, etc. Or they could elect to move to a better, more expensive home. The choice would depend upon a number of factors, including the amount by which income had increased, expectations about the permanency, size, and regularity of current and future increments to income, comparative costs of upgrading versus moving, and the degree of attachment to the neighborhood of current residents. To the extent that owners elected to upgrade their dwellings in place, the result would be an improvement in neighborhood quality. If each neighborhood were upgraded situation would be reached in which all neighborhoods would retain their same position relative to each other. If, however, many of the households -- either because of their higher incomes or because prior to a significant amount of upgrading, there would be a general upward movement to better previously unaffordable neighborhoods and some new

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1. We take note of certain exceptions, both rare in contemporary America, to this generalization. If the age profile of a community were strongly skewed, "normal" moves could produce a shift from equilibrium to which the community would not return. One can also visualize a community where all households consist of extended families which occupy the same structures for generation after generation and where the only moves are to the cemetery. However, without a skewed distribution, normal inflows and outflows may be such that a steady-state neighborhood is the exception even in a stationary economy except over the very long term.

roughly in proportion to the rise in incomes, a new steady-state construction would occur. When all moves had been completed, the population composition of individual neighborhoods and demand relationships among neighborhoods would differ in some degree from what they had been. the relative attractiveness of all neighborhoods, and perhaps also the absolute attractiveness of some, would have been altered, affecting subsequent decisions of households normally in the market and causing an additional number of households to move in order to leave environments no longer suited to their preferences.

Succession caused by gradually rising real incomes is, we believe, much more the rule than is succession due to declining prices, as assumed in much of the filtering literature. The amount of actual family movement would be reduced to the extent that upgrading by owners of existing dwellings succeeded in offsetting the obsolescing effects of new construction. When incomes generally are rising, however, demand for and construction of new units is doubly stimulated: first, by those whose higher incomes alone encourage them to enter the new-home market; and second, by those who can realize capital gains from sale of their homes because of the impact of rising incomes on prices for units in the housing stock as a whole. The overall result is a relative (even if not also an absolute) decline in average household income in some neighborhoods. And if, as we have assumed by holding everything but income constant, rising incomes and new construction occur in the absence of growth in number of households, the community's least attractive neighborhoods would experience rising vacancy rates,

absolutely lower prices and rents, and some abandonment. Except for the added factors of racial discrimination and poverty, neighborhood change patterns in many of the snow-belt metropolitan areas approximate this description.

Falling real incomes in a community may have similar effects. Once households conclude that their reduced circumstances are likely to be long-lasting rather than transitory, some of them will move into lower price or lower rent units or double-up. One consequence of these adjustments is abandonment or boarding-up even though profits in certain sectors of the inventory might actually rise.

And, unless local laws barring "substandard" housing are strictly enforced, new construction in the form of shanty-towns may be demanded and supplied. Both these responses to falling real income were prevalent during the early 1930s. Doubling-up and a reduced rate of household formation have followed upon the more recent decline in real income in 1979 and 1980.

Growth in Number of Households

In an economy where the annual volume of new residential construction constitutes a very small fraction (ranging between 1 percent and 3 percent) of the standing stock and where high construction costs produce prices and rents that limit effective demand for new units to those households in the upper portion of the income distribution, the question arises: how, in the absence of rising incomes, might a growing household population find housing accommodations without being subsidized? Some sort of succession would have to occur.

In order to see how, we return to our hypothetical community in a state of equilibrium relaxing the assumption that the number of

households is constant, and postulating growth instead. How will the market adjust to this change? Initially, the number of new units put in place would be substantially fewer than the number of additional households seeking places to live, because dwellings could not be profitably built for the expanded lower income sector. Over a period of time, however, a number of market adjustments would occur - among them neighborhood success - that would stimulate new construction, possibly in an amount sufficient to accommodate population growth without overcrowding. The sequence of events would be along these lines. The vacancy rate for units in the low-price or low-rent stock would fall, as the additional households who could not afford new construction moved into existing accommodations. As the vacancy rate dropped, bids by demanders for dwellings in that price or rent range would tend to rise. At the same time, some of the households who would ordinarily have been attracted to those units would perceive them to be overpriced, so they would raise their housing expense-to-income ratio in order to occupy somewhat better units for which they had previously been unwilling to make a bid. As this upward movement gathered momentum, vacancies in the higher quality segment of the stock would decrease and prices and rents would rise, causing more affluent households in search of housing to scan still more expensive units. This "push from below" might or might not affect the volume of new construction materially, the actual result depending upon the degree of excess demand for (or "shortage" of) units at each price or rent level, the number of dwellings created by conversion of existing structures, and upon how quickly and in what price sectors builders reacted to

changes in housing demand. Population growth would, in any case, inevitably cause rearrangement of neighborhood occupancy by income group, and some neighborhood succession to lower income groups would occur. Also there might well be some postponement of household formation if expansion of the housing supply were insufficient to prevent prices and rents from returning to their original levels.[1]

A somewhat different explanation of this process postulates that consumers perceive boundary lines or areas to exist between neighborhoods of differing socio-economic status and that an expansion of demand in a lower status neighborhood increases the unit price differential at the boundary between that neighborhood and nearby higher status areas.[2] This differential, it is argues, either disappears as lower income households recognize its existence and move across the boundary or is recreated at the new boundary line separating the neighborhoods. This explanation seems more plausible with respect to racial succession, where boundary lines usually are fairly visible, than with respect to income succession, where they are not. Indeed, the greater the socio-economic difference between two abutting neighborhoods, hence the more distinct the boundary line, the more difficult it would be for an expanding lower income population to cross into the higher status area.

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1 For a partially similar analysis of this process, a treatment that yields a different result, see James T. Little, "The Dynamics of neighborhood Change," in Donald Phares (ed.), A Decent Home and Environment, (Cambridge, Mass.: Ballinger Publishing Co., 1977), pp. 63-78.

2 Leven et al., op. cit., pp. 37-47.

The succession process would be accelerated if some non-trivial fraction of inmigrating households, with behavioral patterns markedly different from the sitting population, became "visible" in the receiving neighborhoods. Those neighborhoods would lose attractiveness to both established and potential residents some of whom would not take occupancy of existing additional pressure, directly or indirectly, for new construction in the community.

Conceivably, of course, inter-neighborhood migration would not be produced by population growth. Instead, the entire increase in households might be accommodated by more intensive use of the existing stock of housing in each neighborhood. The number of units could be enlarged by means of conversion or more households could crowd into each existing unit, or both. This kind of adaptation is likely to occur, if population growth is rapid relative to the rate of increase of real income.

Decrease in Number of Households

It is easy to see that if a community lost households, some of them in the middle- and upper-income brackets, neighborhood succession would occur. In such circumstances, owners would be forced to lower their asking prices or rents in order to market their properties. This would mean, in turn, that inmigrating households as well as some established residents would, without any change in income or in housing expense-to-income ratio, be able to move into housing they previously felt was beyond their financial grasp.

Conceivably, the declines in prices and rents and the increases in permanent vacancies could occur evenly throughout the stock

without altering the income ranking of any neighborhood. More likely, the declines would be concentrated in certain neighborhoods, either those that had already become "obsolescent" or those in which initial loss of population was greatest.[1] Curiously, given declining total demand for housing, the initial succession of socio-economic, racial, or ethnic groups could stimulate some pre-existing residents in affected neighborhoods to move elsewhere in the community, indirectly adding to demand for new construction.

Obsolescence

When a neighborhood's housing and environs change for the worse in an absolute sense (structures fall into disrepair, trash fills the streets, or noxious odors become noticeable) the cause for its diminished attractiveness to consumers is properly called deterioration. Neighborhoods also undergo relative decline in attractiveness to buyers and renters. Even though they remain in good condition in all essential respects, they either gradually suffer over time as new neighborhoods are added to the community or they fall victim to a shift of consumers' preferences away from housing and toward other goods and services, such as vacations, boats, and cars. In either case, they experience obsolescence, a condition often equated with, but different from, deterioration.

Housing and neighborhood obsolescence may occur for any of several reasons, such as the appearance of better products, or a shift in consumer preferences with respect to safety, status, privacy and other consumption objectives, or a shaft in the way consumers relate various housing attributes to these objectives.

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[1] The meaning and significance of "obsolescence" in a housing and neighborhood context are discussed below.

The several forms of obsolescence may be classified as: style, space and layout, structural, equipment, site, neighborhood or locational. Illustrative of style and structural obsolescence are multi-story Victorian houses in a market where the preponderance of households currently prefer ranch-style dwellings. Residences with archaic electrical wiring or water pipes are examples of equipment obsolescence. Lack of off-street parking may be an instance of site obsolescence. Locational obsolescence would result if improving transportation networks caused certain neighborhoods to become relatively less accessible to jobs and other centers of activity. If they become absolutely less accessible, as could happen to central-city neighborhoods if jobs suburbanized, they would have suffered a form of deterioration. A central-city neighborhood could also become obsolescent if consumer preferences shifted in favor of outdoor space. Conversely, if tastes changes in favor of easy walking distance to shops, churches, schools, and the like, outlying neighborhoods would become obsolescent compared with those within the urban core.

Associated with all forms of obsolescence is a shift of some households to the new-home market. Indeed, builders continually try to attract customers away from the standing stock by offering features which existing homes do not have. Thus, the same new construction that may be partially a consequence of obsolescence creates additional obsolescence. To protect their properties from declining demand due to obsolescence, owners as a group invest large sums annually in modernization of their properties. Bus some structures are difficult to modernize even at great expense, and a

private owner acting alone can do little to counteract site, neighborhood or locational obsolescence. Neighborhoods with numerous housing units afflicted in this way thus experience a decline in demand, either absolute or relative to others or both. If, as often happens, property owners react to succession by trimming modernization outlays the process may be further stimulated.

Although obsolescence in a dynamic economy is an almost inevitable consequence of aging buildings and their environs and for that reason is often viewed as the principal determinant of succession, it is very difficult to establish how large a part it plays, given that other causal variables are also at work. The same must be said about predicting the forms obsolescence will take in a particular neighborhood or urban area.

Changes in Housing Demand and Supply Resulting from Governmental Intervention

Federal policies and programs have -- particularly since 1960 -- had a major impact upon the determinants of both the demand for and supply of housing. Directly or indirectly, different kinds of governmental intervention have affected the size and distribution of real income among households, the size and spatial distribution of the housing inventory, the level of costs for new construction and rehabilitation, the responsibilities of housing suppliers and market intermediaries, and the costs of occupancy. The same interventions have, therefore, had considerable impact on the rate and location of neighborhood succession. A few illustrations should suffice to demonstrate this point.

Several Federal programs have provided subsidies for new construction and for maximum rehabilitation. Holding constant other variables (notably population size and household income), when new or totally renovated units are made available to moderate-income households at a subsidized price, the supply of dwellings increases without a corresponding change in moderate-income demand. The first-order effect is analogous to that in a submarket experiencing a decline in population: units vacated by households moving into the new or renovated dwellings will pass into the hands of households with still lower incomes (unless they remain unoccupied).[1] Indeed, some Federal legislation has been designed to produce this result in the belief that the welfare of all concerned will thereby be improved. This inference is not always warranted. In cities with stable or falling household populations the game of musical chairs precipitated by housing subsidies may cause abandonment of other than the worst dwellings, reduction instead of enhancement in the quality of the immediate environment, and injury to the welfare of individual owners and occupants in the vicinity of the abandoned properties. These ill effects would, of course, be lessened to the extent that abandonment was confined to one or two neighborhoods, something that has thus far not been possible to do.

Conversely, when governmental actions remove habitable units from the inventory, as so often happens with urban renewal and highway construction, the resulting reduction in supply may stimulate new construction, just as occurs when there is growth in

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[1] Lower prices or rents for the vacated units could attract higher-income households with a low preference for housing but this theoretical possibility seems unlikely to occur on a significant scale.

population. But because clearance usually focuses upon the low-price or low-rent stocks, intensified rivalry among home-seekers is felt predominantly in these sectors of the market rather than being distributed among all price and rent levels, as is the case in a normal population-growth situation. It is uncertain, therefore, if displaced households would generate, even indirectly, demand for new construction.

Less directly, removal by government of artificial barriers to free expression of housing preferences, e.g., barriers such as exclusionary zoning and racial discrimination, serves to reduce demand in certain sectors of the market and increase it in others, causing upward or downward succession. And public investment in transportation infrastructure may have similar differential effects, improving the locational advantage of some neighborhoods at the expense of others, as analysts of central-city decline have frequently observed.

Neighborhood Deterioration

Up to now we have argued, in effect, that the important determinants of neighborhood succession lie outside the affected neighborhoods themselves, residing instead in the larger community as a whole (Panel I, Figure D). By contrast, most of the lay public and a large proportion of urban analysts appear to believe either that market intermediaries in the housing system behave in such a way as to initiate succession (e.g., through redlining or block-busting) or that deterioration of the neighborhood causes it it become absolutely less attractive to the segment of the popu-lation which originally found the neighborhood a pleasant place

to live. We now explore the latter possibility. It may seem immaterial to ask whether neighborhoods deteriorate as a consequence of succession or whether they experience succession as a consequence of deterioration. Whatever the initial sequence of events, once a neighborhood has begun to decline, it is in the interest of most of those affected that something be done about it. In reviewing remedial strategies, however, it is useful to know if deterioration is an intervening event occurring prior to succession of if it is always only a consequence. A popular question helps to illustrate the possibilities: Have central cities declined because an increasing proportion of middle-class families have opted for the suburbs, or have these families chosen the suburbs because of worsening central-city conditions?[1] It is easy and perhaps partly correct to answer, "A little of both." But if suburbanization of upper-income households is explained primarily by population growth, rising incomes, and improving transportation systems, (within the constraints imposed by immobility of dwellings and construction costs) then provision of good schools and crime-free streets in central areas are not going to draw the fringe dwellers -- most of whom have never lived in the city and do not work there -- back to the urban core. And to the degree succession is the cause rather than the consequence of neighborhood problenms, current public-sector neighborhood investment strategies may be inappropriate.

What is Neighborhood Deterioration? Although the terms "neighborhood deterioration" and "neighborhood decline" -- which

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[1] We have deliberately avoided the use of the term "flight" here, because statistically only a small proportion of suburban growth can be explained by the movement of households from central cities to the suburbs of the same cities.

we consider to here be synonymous -- are used casually in the literature as though everyone knows precisely what they mean, they raise some sticky definitional issues. If "decline" is used in a relative sense to describe the worsening position of a given neighborhood in the universe of neighborhoods in a market area, then as time passes and new residential areas are developed, most older ones will be perceived to deteriorate as they gradually move lower on a scale of relative quality. As stated earlier, however, it is more accurate to describe relative deterioration simply as obsolescence. What is of concern to us here is the absolute reduction in neighborhood quality.

We define neighborhood deterioration or decline, then, as an absolute negative change, relative to a set of specified standards, in the physical or social quality of an area. Broadly, physical deterioration could result from inadequate housing maintenance, intrusion of blighting commercial and industrial uses, increased vehicular traffic, disappearance of aesthetically pleasing open space in favor of trash- or rubble-strewn empty lots, or building abandonment. Deterioration of a neighborhood's social environment might be manifested in such changes as a growing proportion of "problem" families, a rising crime rate, or a drop in the quality of neighborhood schools. Although it is usually presumed that social and physical decline occur more or less in tandem, examples may be found of neighborhoods that remain in good physical condition while suffering social deterioration, or that are shabby to behold but free of serious social problems.

Not all social changes that are viewed as undesirable by a neighborhood's current residents would necessarily be viewed as an indication of decline by the community at large, e.g., the movement of middle-class families into a previously exclusive high-income enclave. Further, not all apparently deteriorating neighborhoods were ever of much better quality. Indeed, despite their abhorrent appearance, they may actually be in better condition today than originally.

Even if specification of conditions and trends in a neighborhood is correct, care must be taken in inferring that a problem exists. As with automobiles and refrigerators, the quality of neighborhoods as a whole may be rising, even while individual ones are going down hill.

Forms of Neighborhood Deterioration: In defining neighborhood deterioration, we have just described two forms: physical and social. Each of these categories can be further subdivided: the physical subsumes housing structures and other structures and spaces; and the social subsumes residents and other individuals and organizations (Figure E). By examining each of these forms of deterioration separately, it is possible to make a somewhat more reasoned judgment as to the likelihood of deterioration occurring before succession commences.

Figure E

Forms of Neighborhood Deterioration

Social	Physical
1. Residents	3. Dwellings
2. Other Institutions and Organizations	4. Other Structures and spaces

1. Social deterioration; residents: Almost by definition, it is not possible for social deterioration involving the residential population (Cell 1) to occur prior to succession. Only under exceptional circumstances could the sitting population take on attributes over time which made them undesirable neighbors in each other's eyes and in the eyes of potential residents. Perhaps stable young couples could develop into poor parents, or good parents could become "problem" oldsters, or an economic downturn could destroy a stable social environment, but these possibilities seem remote.

A possibility slightly less remote, yet still an uncommon occurrence, would be succession to a similar income group, but one perceived by existing residents to have undesirable traits. In an economy of rising real incomes, neat, well-kept neighborhoods might experience inmigration of families who cared more for Saturday-night frolicking than well-kept lawns. Given our definition of neighborhood deterioration this may not be the most appropriate example, but it will perhaps suffice. Even given this form of succession, one may conclude with some degree of confidence that Cell 1 is not heavily populated in the absence of succession.

2. Social deterioration; organizations and institutions: Not quite the same can be said of Cell 2. Ordinarily one would not expect social institutions and relationships to break down while the neighborhood retains its income profile. This asumption ignores, however, racial succession, alleged by many to be a primary factor in neighborhood decline. Although most instances of racial change ar presumed to be associated with a reduction in neighborhood income, typically the initial inmigrants have incomes similar to or

higher than the incomes of those whom they replace and have similar or "superior" behavior patterns. Why then might decline occur? It seems most likely if racial turnover takes place rather quickly. Rapid change tends to be disruptive because the integration of disparate populations is a slow process; even building social ties among the inmigrants themsevles takes considerable time. Before these ties have been created, social problems may become sufficiently pronounced to cause many residents to give up on the neighborhood. And if mortgage lenders and city agencies -- who for some purposes could be viewed as part of social fabric of the neighborhood -- take flight, problems become intensified.

On the other hand, the link between racial succession and neighborhood decline may not be the behavior of market intermediaries or social institutions but rather the income succession that sometimes follows, even if it does not initially accompany, racial change.[1] A number of studies of house-price movements in racially changing neighborhoods have noted that prices at which homes are initially transferred frequently cannot be sustained (particularly if they have been artificially inflated by discriminatory practices) because the number of black families who can afford the homes is insufficient to offset white demand. As prices drop, lower income black buyers and renters are able to move in.

> "... in most cases, [racial] transition [is] associated first with racial change and [is] followed by declines in the socio-economic status of neighborhoods. This, together with other evidence, suggests that while preference for neighborhoods may depend primarily on the neighborhoods income level,

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[1] For some recent evidence see Kerry Vandell, "The Effects of Racial Composition On Neighborhood Succession," Urban Studies 18 (1981), pp. 315-333.

expectations are formed largely on the basis of proximity to racial change. That is, market participants view declines in neighborhood income as the inevitable consequence of racial transition."1

In such situations, however, it is not deterioration that leads to succession but the *reverse*.

In sum, it is possible to visualize two situations in which neighborhoods might experience social deterioration prior to income succession. One is where income and class (defined in behavioral terms) do not totally overlap. The second is where racial or ethnic succession precipitates disruption of neighborhood social institutions or social institutions or uncertainty among real estate investors and mortgage lenders.

3. Physical deterioration; dwellings: Whether is it possible for physical deterioration to occur prior to, and therefore be the cause of, neighborhood succession is a more complex question. With respect to housing deterioration (Cell 3), a number of analysts argue, in effect, that residential structures are like automobiles, inevitably deteriorating over time and just as inevitably discarded by their owners when they become too expensive to maintain. Quigley, for one, observes that:

"Once built and inhabited by upper-income households, who demand higher quality, housing generally deteriorates."2

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1 James T. Little, op. cit. Little cites for empirical support a study by Hugh O. Nourse and Donald Phares, "Socioeconomic Transition and Housing Values: A Comparative analysis of Urban Neighborhoods," in eds. Garry Geppert and Harold M. Rose The Social Economy of Cities (Beverly Hills, CA: Sage Publications, 1974).

2 John M. Quigley, "What Have We Learned about Urban Housing Markets?" in Mieszkowski, P. and Mahlon Straszheim, Current Issues in Urban Economics (Baltimore: Johns Hopkins Press) 1979, p. 417.

Muth makes the point more strongly:

> "... buildings and neighorhoods necessarily (emphasis ours) deteriorate over time, both because of physical wear and tear and because of obsolescence."[1]

And the authors of The Dynamics of Neighborhood Change, in describing how a neighborhood might shift from a situation of good health to one of incipient decline, suggest that:

> "The houses may have pretty well reached the end of their 'reasonable' life and need repairs and remodeling that the owners can't afford; after awhile this begins to show and people looking for houses (who are in the same income range) aren't interested."[2]

A number of models of the housing market in using age as a proxy for deterioration, make the same assumption.

Broadly held though this view is among knowledgeable persons, it is almost totally incorrect. It is true that buildings suffer from the destructive forces of wide temperature variations, wind, sun, water, and man's occupancy. Some buildings are constructed to resist these forces better than others, but they all experience deterioration and their equipment eventually wears out. Most of them can, however, be maintained almost indefinitely if their owners choose to do so. This is because various parts of a building do not deteriorate at the same rate or wear out at the same time, so the cost of repairs, maintenance and replacement in any one year is, on average, a very small proportion of original construction cost (in constant dollars) -- usually well under two percent. This relationship holds not just

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1 Op. Cit., p. 98.

2 Public Affairs Counseling, a division of Real Estate Research Corporation (Washington: U.S. Government Printing Office, 1975), p. 12.

for relatively new buildings but for older ones as well. A study by Peter Rydell suggests that maintenance expenditures do rise with age but eventually flatten out at a level about 40 percent above their starting figure, still a very modest sum.[2] The difference, then, between adequate and inadequate maintenance may be only a few hundred dollars a year. By contrast, the consequences of some forms of under-maintenance may be immediate and severe, drastically reducing the attractiveness of a dwelling or making it uninhabitable. The quickness with which the forces of nature move in when owners are no longer interested in resisting them is readily perceived in neighborhoods that are in the path of a highway development or part of an urban redevelopment site. But man is the key, not nature. And a continuing downward path of deterioration, commencing at the moment of first occupancy of a few decades thereafter, is not a structure's inevitable destiny. We venture the guess that a very large proportion of the structures over 40 years old -- a figure frequently used to denote the problem sector of the housing stock -- are superior in quality today to what they were when first erected. Galster has also found that older structures need not evidecne larger incidences of visible decay, ceteris paribus.[3]

Although housing decay may be avoidable and although under-maintenance, is normally self-defeating, the two phenomena are

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1 C. Peter Rydell, "Factors Affecting Maintenance and Operating Costs in Federal Public Housing Projects," R-634-NYC, the New York City Rand Institute, December 1970.

2 George Galster, Homeowners and Neighborhood Reinvestment, Durham: Duke University Press, 1987, Ch. 9.

widely observable, raising the question as to the circumstances under which they occur. Particularly, in the absence of prior income succession or expectation of a public taking or similar imminent termination of the flow of services from a dwelling, why would owners reduce levels of upkeep, allow prices and rents to fall, and permit a lower income group to take over the inventory? Is it really possible, as commonly asserted, for housing deterioration to lead to succession or must succession come first?

In nearly every neighborhood, individual households postpone maintenance outlays because of temporary or permanent loss of income, ill health, family problems, and similar reasons. Scattered around in even very good neighborhoods, therefore, are a few structures in need of more than normal remedial attention. In the course of time, however, the repairs are made either by the same or new occupants. A few bad apples don't inevitably spoil the barrel. The decay does not spread either like cancer -- or at all. The steady-state condition of adequate maintenance is retained. Some discussions in the literature suggest that the departure from steady-starts either with housing and neighborhood obsolescence or with deterioration of various parts of the neighborhood other than the housing itself. These changes cause prices and rents to decline which in turn leads to housing deterioration. We elaborate on this line of reasoning below, but in the context of the present discussion, it can be seen that since there cannot be price or rent changes without market transactions, income succession as a necessary prior condition of housing deterioration is implied.

It is also possible that, as a consequence of increased fuel prices, property taxes, etc., the real cost of housing could rise while household income generally (not just in certain neighborhoods) remained stable or declines. In such a situation, owners of structures that were at the borderline of adequate maintenance might choose to postpone selected repairs rather than make cuts elsewhere in their budgets. It is difficult, however, to imagine such a response as being rational for an entire neighborhood of owners if there was a climate of optimism about the neighborhood itself.

We cannot, in brief, conjure up in our minds a set of circumstances that would, more than rarely, cause a downward shift in housing maintenance prior to succession or expectation of succession. This conclusion starts, however, from a presumption of adequate maintenance. If succession has proceeded to the point where inadequate maintenance enters the picture, it is relevant to ask if succession and deterioration intertwine in a continuous process in which each one leads to the other, or whether, instead, succession moves in discrete steps from one stage of equilibrium to another. This question we dwell on later in the essay, though it strikes us as essentially unanswerable.

4. Physical deterioration other than dwellings: this brings us to the final type of neighborhood deterioration that might bring about income succession -- a worsening of the physical environment other than housing (Cell 4). There are several different possibilities. If a neighborhood is starting to become relatively less attractive as a consequence of gradual obsolescence, encroachment of incompatible uses becomes easier.

> "As residences grow old and depreciate, ..., the vigor of the neighborhood and its power to resist encroachments, physical and social, lessen .... Older residents gradually lose the will to maintain the constant struggle to keep out non-compatible entities from the neighborhood."[1]

Also, still vigorous neighborhoods could succumb to the economic pressure created by the expansion of more competitive uses.

> "An Expansion of manufacturing firms out of a neighboring industrial district or retail and service firms beyond their original locations along major tracts may make housing in surrounding areas less desirable because of increased dirt, noise, and for many other reasons. Or the owner of a parcel in a neighborhood of, say, single-family residences, may find it profitable to him to convert it to a grocery store, filling station, or a rooming house. However, by doing so he may reduce the desirability of surrounding residences,..."[2]

Succession could also possibly begin if a neighborhood were adversely affected by spillover of crime, excessive noise, air pollutants and so on from nearby neighborhoods. It might seem on the surface that this conclusion follows in part from the way in which we have defined neighborhood for purposes of discussion. By creating arbitrary neighborhood boundaries, we appear to ignore social and physical decline that is not occurring within our boundaries but which is perceived to exist within a larger set of boundaries as defined in the minds of residents and potential residents. And as a consequence, we conclude that succession is occurring prior to decline in the neighborhood itself whereas households leaving the area or deciding not to move there feel decline has already

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1 George Sternlieb and James W. Hughes, "Analysis of Neighborhood Decline in Urban Areas," Center for Urban Policy Research, Rutgers University - The State University of New Jersey, n.d., pp. i-11.

2 Muth, op. cit., pp. 118-19. This quotation is a summary of others' arguments. It is unclear if or to what extent Muth himself shares their viewpoint.

commenced. Enlarging our perceived boundaries, however, to match those of persons actually making residential moves or investments would not alter the argument. One would still have to ask why the nearby neighborhoods were experiencing problems. Were the problems a consequence of succession or did they have other antecedents? No matter how one defines neighborhood boundaries, this question remains. And it applies to certain aspects of social deterioration, e.g., decline in the quality of public schools, as well. In most cases, it seems to us that at least initially, succession precedes decline of a neighborhood's environment, though once that decline has commenced, it would be expected to cause further downward income movement.[1]

Some Conclusions

It may seem unnecessary to elaborate the proposition that neighborhood succession could stem from any one of a variety of causes. Most persons would probably concede this point at the outset and turn to other questions. Our discussion had, nevertheless, revealed several things about succession that seem worth emphasizing as a prelude to our examination of the relationship between succession and decline. In evaluating these observations, keep in mind that succession is not synonymous with any of the several different definitions of filtering that appear in various places in the housing literature.

First of all, given the forces which produce spatial separation of income groups in the housing market, it is virtually inevitable

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[1] For the only exact attempt to quantify the relationship between income succession and neighborhood deterioration, see Galster 1987, Ch. 10, op. cit.

in a dynamic urban society that most of every community's neighborhoods will experience succession. Some may successfully resist for several human lifetimes; others may start at the bottom of the quality hierarchy and have no lower rung on the ladder to which to descend. Continuous adaptation of most of the stock of housing to changing consumer requirements is, however, to be expected. Indeed, as we observed, without succession, growing communities would be unable to accommodate household expansion satisfactorily. Had the suburbs not opened up, central cities would be even less desirable places for lower income households to live in than they now are. Because of the inevitability of succession, neighborhood stabilization programs which attempt to arrest the process in particular sections of the city are likely to avert change only by channeling succession elsewhere. For a market area as a whole, change cannot permanently be halted.

Second, contrary to much la and some professional opinion, the antecedent of downward succession generally is not an absolute decline in neighborhood quality, though such decline does nurture the process once begun. Rather, the causes of succession are typically either shifts in the determinants of consumer demand or changes in the configuration of a community's housing supply, or a combination of both, that make certain neighborhoods relatively less attractive. For these neighborhoods the effect is to lower the real price of given housing packages, enabling households of lower income than current occupants to move in.

Third, analyses of succession which attempt to explain the phenomenon in terms of shifting price differentials along and near

the boundary lines between neighborhoods are not very helpful, and perhaps somewhat misleading. By focusing on micro-level dynamics rather than on the broad forces of change, these analyses leave the impression, even if unintentionally, that boundary-line relationships are independent variables. Where boundaries are visually apparent, as is often the case when racial succession is involved, they may be important. Where income succession alone is occurring, changing boundaries are not readily perceived, and the first lower income inmigrants could be expected to move into the interior of a neighborhood, not just jump across the border. Change is well underway before residents become aware of it.

Fourth, although succession is often said to be caused by new construction, this observation explains very little, since one must then inquire into the causes of the new construction (Figure D, Panel II). One of these causes is succession itself. A theoretical implication of this fact is that vacancy-chain analysis, which assumes that occupancy of new units releases old ones, may start in the middle of the process.

Finally, succession simultaneously can produce both "good" and potentially "bad" results; good, in that it permits a community to adjust more readily to changing housing requirements; bad, in that, if we are to believe what many observers say, it leads inexorably to decline. But is decline really inevitable? Are neighborhoods like cars, ultimately destined, with few exceptions, for the scrap heap? And if so, why is neighborhood preservation a concern for public policy at all, and what should be its objectives? Conversely, do public subsidy programs designed to stimulate new construction in order to keep pace with household growth, have the unavoidable

collateral effect of accelerating succession, hence decline? In order to address these questions, we must first understand the circumstances under which neighborhood succession could lead to neighborhood decline. It is to that subject which we now turn.

IV. THE CAUSES OF NEIGHBORHOOD PHYSICAL DECLINE

Although, as discussed earlier, there is some difference of opinion, not to say confusion, about whether neighborhood decline does or does not precipitate neighborhood succession, there is substantial agreement regarding the circumstances under which the reverse is true. As most observers see it, succession leads to both social and physical decline when the neighborhood is inherited by a population that does not have the will or resources necessary to maintain its housing and take care of its other needs, and when public facilities and services are inadequate to offset the decline in private income. Illustrative of this view with respect to housing are the following:

1. "...A neighborhood starts clearly declining when owners can't make enough money to keep their property up, much less make a profit. This is becasue the people who want to live there cannot afford to pay so-called 'economic rents' and if they own their own home cannot afford adequate maintenance or major repairs."1

2. "In economic terms neighborhoods decline because they are not longer able to attract property owners who are interested in and have sufficient income to adequately maintain the housing."2

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1 Public Affairs Counseling, a Division of Real Estate Research Corporation, The Dynamcis of Neighborhood Change (Washington: U.S. Government Printing Office, 1975), pp. 11-12.

2 Roger Ahlbrandt, Jr. and Paul C. Brophy, Neighborhood Revitalization: Theory and Practice (Lexington, Mass: D.C. Heath and Co., 1975), p. 5.

3. Neighborhoods decline because they lose their competitive edge. A Myriad of different forces is at work. Paramount among these are socio-economic changes in the composition of the incoming population. An increasing renter population may be less committed to the neighborhood; large households may use the housing stock more severely; and lower economic levels mean that the ability to pay for housing is reduced.1

4. "Although it is true that there is no necessity for property to deteriorate with age, if income falls there will be fewer resources available for normal repairs... which if not made leads inexorably to deterioration in housing quality."2

5. "...the quality of the housing stock in the neighborhoods low-income households choose to inherit is adapted to their circumstances. This would be done primarily through conversion of existing structures to a larger number of smaller units and allowing these units to deteriorate by deferring maintenance and repairs."3

6. "As the outward movement of upper-income families occurs; the structures which are left behind for occupancy by low-income households are ... in reasonably good condition. However, the costs of financing and operating these structures do not decline sufficiently to permit rents which the poor can afford unless adequate maintenance is sacrificed. Conversions to mulitfamily occupancy may raise rental incomes sufficiently to forestall decay for a time, but they also lead to increased wear and tear, so eventually deterioration wins the day anyway. The process is hastened by the competitive disadvantage of low-income families in dealing with a class of landlords who enjoy a partial monopoly in the market and who demonstrate less

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1 Roger S. Ahlbrandt, Jr., "Public Policies for the Preservation of Capital in Older Areas," AREUEA Journal, Vol. 5, No. 1, p. 69.

2 Charles L. Leven et al., Neighborhood Change: Lessons in the Dynamics of Urban Decay (New York: Praeger Publishers, 1976), pp. 38-39.

3 Richard F. Muth, Cities and Housing (Chicago: University of Chicago Press, 1969), p. 117.

concern for the well-being of their tenants, structures and neighborhoods than do landlords generally. It also is hastened by the powerlessness of the poor to prevent their neighborhoods from being inundated by bars, junkies, abandoned cars, and other unpleasant accoutrements."[1]

A slightly different version of the relationship between neighborhood succession and neighborhood decline holds that when succession involves a group of households with absolutely lower incomes, succession and decline proceed more or less in tandem, because in a competitive housing market, the prices of housing services equal their cost of production. If because of housing or neighborhood obsolescence or some other factor, the prices which can be commanded for these services drop cut-backs must be made. Initially, the cuts may not impair the basic quality and condition of housing structures. Doormen may be eliminated, lawns may be cut and watered less frequently, and so forth. If prices and rents continue to decline, however, at some point, owner-occupants and landlords alike will defer needed maintenance and structures will deteriorate to a level below acceptable community standards.[2] This level may be reached before low-income households inherit the stock.

All of these explanations appear to be essentially the same. They imply that for neighborhood decline to be prevented, either the problem of inadequate income must be greatly mitigated, or low-income households must be prevented from moving upward in the

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1 William G. Grigsby and Louis Rosenberg, Urban Housing Policy (New York: APS Publications, Inc., - Center for Urban Policy Research, Rutgers University, 1975), pp. 198-99.

2 Olsen, op. cit. Also Lowry op. cit.

inventory, or the low-income population must be geographically scattered, so the impact of their presence will be minimal. By implication, all of the explanations call into serious question neighborhood stab lzation efforts, except to the extent that such efforts are built on the premise that, for one reason or another, "unnecessary" or avoidable succession is occurring.

Although no one would deny that inadequate income is an extremely important force in neighborhood decline, the low-income explanations do not go far enough. They either ignore completely or only partially address the question of how poor people acquire homes that at one time were of good quality and well maintained, i.e., how the succession process operates and its relationship to deterioration. Yet how blight spreads from neighborhood to neighborhood is not abundantly clear on the face. Numerous neighborhoods are to be found where there are signs of incipient general deterioration but, insofar as can be determined, where few low-income households are in residence. Conversely, fully half of all low-income households live in standard accommodations, so their homes cannot be contributing to neighborhood physical decline. Moreover, in at least some neighborhoods experiencing succession, maintenance expenditures by landlords have been observed to rise, not diminish, over time.[1] Still further, census data show a wide range of substandardness and decline among cities and neighborhoods with similar income

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[1] Michael A. Quinn, Donald S. Elliott, Jr., Robert E. Mendelson, and Jeffrey A. Thomen, "Maintenance Effort and the Professional Landlord: An Empirical Critique of Theories of Neighborhood Decline," Journal of the American Real Estate and Urban Economics Association 8 (Winter 1980) pp. 345-369. See also Grigsby and Rosenburg, op. cit., Ch. 9.

distributions. Finally, the boundaries of declining neighborhoods appear to be expanding even while real incomes rise, subsidy programs expand, and the problem of substandard housing becomes less extensive and severe.

Conceptually, the notion that succession and decline must occur in tandem is also flawed. A large part of the rental dollar which a tenant pays represents housing services delivered by the neighborhood, not the structure. If a neighborhood loses its prestige or becomes relatively less accessible or experiences an intrusion of nonconforming uses, rents will drop and succession will occur without affecting the prices received for the services which the structure itself delivers. Hence mainentance should not suffer. Even prices for some of the building's services can drop below their original cost of production, since large parts of a well constructed building have an indefinite life if well cared for. It is normally self-defeating, therefore, for landlords, in the face of declining values and rental payments (but not significantly shortened investment horizons) to eliminate maintenance expenditures which can still be covered by cash receipts. To do so would likely cause a more than corresponding attrition in rents or capital loss. Owner-occupants would be doubly penalized by such a strategy, because they would also reduce the stream of satisfaction they derive from their homes.

A more encompassing explanation of neighborhood decline appears to be needed. Recognizing that low income is generally a necessary condition of decline and also that there are a number of different circumstances under which stable neighborhoods eventually reach low-

income households through the process of succession, why is decline in neighborhoods of lower socio-economic status often considerably more or less extensive than one would expect on the basis of resident income and wealth holdings alone? In the case of other consumer durables, e.g., automobiles and cheaply constructed mobile homes, the time eventually arrives in the life of the durable when a policy of undermaintenance makes eminent economic sense, even for owners who can afford to make expensive repairs. Is this also true of conventionally constructed housing, or does undermaintenance that is not compelled by inadequate occupant income reflect market inefficiency, owner irrationality, or other factors?

At least four different possibilities have been suggested. Depending on the author, the blame for excessive deterioration has been placed on: (a) behavioral characteristics of certain portions of the low-income population, especially where such groups are concentrated in a few areas; (b) investment policies of housing suppliers and market intermediaries in declining neighborhoods; (c) public-sector policies; and (d) the thinning-out of central cities. All of these explanations turn out to be complementary to those which ascribe the problem entirely to low income. They suggest that when low-income succession is either underway or about to occur on a significant scale, conditions are likely to become worse than they need be. Nowhere do the explanations allege that neighborhood problems normally arise independently of the threat or actuality of low-income succession. Even those analyses that attach considerable importance to racial discrimination in accounting for decline also explicitly or implicitly include low income as a contributing factor.

Behavioral Factors

A variety of personal problems either contribute to or are a consequence of an individual's insufficient financial resources. Many of these problems consume an inordinate share of an already inadequate income. Some of them manifest themselves in behavior which raises the cost of maintaining low-rent structures and weakens stable middle-class environments. Notable examples are poor housekeeping, theft, vandalism, and assaults. Downs has argued that spatial concentration of a large number of deprived households in a single area problems because negative behavior is reinforced and because deprived individuals are isolated from the network of opportunities and informal support mechanisms that sustain others in society. Once a critical mass of individuals having behavioral problems has been reached, the neighborhood social fabric unravels, destroying the residential, educational, and employment, environment for everyone.[1]

The Downs thesis is widely accepted, but no one has determined the overlap between income and behavioral problems nor what the optical mass of problem creators is in various situations.[2] If spatial concentration of such individuals does worsen conditions for the lower income population, then cities where such concentrations do not exist should reveal measurably superior individual and social

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1 Anthony Downs, Opening up the Suburbs (New Haven and London: Yale University Press, 1973) p. 9.

2 W.G. Grigsby, S.A. White, D.U. Levine, R.M. Kelly, M.R. Perelman, and G.L. Claflen, Jr., Re-thinking Housing and Community Development Policy, (Philadelphia: Dept. of City & Regional Planning, University of Pennsylvania, 1977), p. 82-83.

well-being in the low-income sector. There is casual evidence that this is indeed so, though strangely enough, no research attempting to verify this possibility has been undertaken.

Supply-side Inefficiencies

A second explanation of decline in excess of what one might expect from low-income occupancy alone is that housing investors and market intermediaries, upon experiencing the early symptoms of neighborhood deterioration, become unduly pessimistic and start to bail out, causing acceleration of what might otherwise have been a slow process of low-income succession and neighborhood decay.[1] Theories of decline assigning part of the blame to the supply-side of the market have been the subject of intensive investigation. In particular, allegedly unnecessary undermaintenance of properties ("milking"), discriminatory practices by landlords and market intermediaries, and externalities/gaming situations have been the subject of intensive investigation. In particular, allegedly unnecessary

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[1] Katharine L. Bradbury, Anthony Downs, and Kenneth A. Small, "Some Dynamics of Central-City Suburban Interactions, "The American Economic Review, Vol. 70, No. 2, May 1980, pp. 411-412. The acceleration of succession which results appears to be interpreted by some observers as market instability, the implication being that equilibrium will not be restored until self-aggravating forces are overcome or until succession reaches the lowest income groups. But continued downward movement could easily occur in the absence of acceleration, so a simple speeding up of the process cannot be equated with instability. Definitions of market stability appearing in the neighborhood stabilization literature are not helpful in reducing this confusion. Michael A. Stegman and David W. Rasmussen, "Neighborhood Stability in Changing Cities," The American Economic Review, Vol. 70, No. 2, May 1980, p. 417. Also, Rolf Goetze and Kent W. Colton, "The Dynamics of Neighborhoods: A Fresh Approach to Understanding Housing and Neighborhood Change," Journal of the American Planning Association, Vol. 46, No. 2, April 1980, p. 187.

undermaintenance of properties ("milking"), discriminatory practices by landlords and market intermediaries, and externalities/gaming situations have been explored in great detail. These studies confirm certain popular conceptions about the supply side of the inner-city housing market but conclude that several others are incorrect. Here we briefly review only three areas of concern: milking; discrimination by (mortgage lenders ("redlining"); and externalities.

1. Milking is the deliberate undermaintenance of a rental property for the purpose of maximizing short-run monopoly profits in a market situation in which a normal rate of return could be earned if a policy of adequate maintenance were pursued. It is to be distinguished from undermaintenance that occurs in a competitive environment. Although the common wisdom is that most undermaintenance reflects milking, the opposite is actually the case. Even in a monopoly situation, of which there are currently few, landlords would, as mentioned earlier, usually forego more in rental income by postponing maintneance than they could save in expenditures. And most of them appear to recognize this to be true. In fact, increases in maintenance effort are sometime undertaken by landlords experiencing declining profits due to succession.1 Mortgage and tax payments are often regarded by the low-rent landlord as more deferrable than maintenance.

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1 Quinn, et al., op. cit., p. 16. Grigsby and Rosenburg, op. cit., Ch. 9.

2. Redlining is the practice of withdrawing mortgage lending services from geographically defined "risky" neighborhoods, not because of negative judgments about individual properties or their owners but only because of expectations of falling real estate values. Although there is no question that in older depreciating neighborhoods, mortgage loans (and also property insurance) have often been offered on less favorable terms than in better neighborhoods or have not been available at all, there is disagreement about whether lenders behave reasonably in this regard or what the consequences of their practices are. There are two distinct schools of thought. One holds that redlining is a product of racial discrimination. In stark works of National Commisison on Neighborhoods, "The underwriting policies of major actors in the real estate and finance industries have created a dual housing market ... Studies of disinvestment now indicate that a broad range of discriminatory activity is required for the existence of a dual finance market."[1] The contrasting view is that the inter-neighborhood differences in levels and terms of transactions, are ascribable primarily to differences in degrees of risk, a point underlined by the fact that redlining is sometimes applied in the U.S. to white neighborhoods

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[1] The National Commission on Neighborhoods, People Building Neighborhoods, Final Report to the President and the Congress of the United States (Washington, D.C.: U.S. Government Printing Office, 1979), p. 72. Neil Mayer, "The Impacts of Leasing, Race and Ownership in Rental Housing Rehabilitation," Journal of Urban Economics 17 (May 1985), pp. 349-374. Robert Schafer and Helen Ladd, Equal Credit Opportunity in Mortgage Lending (Cambridge: Joint Center for Urban Studies, 1980).

and is practiced in foreign countries having few ethnic or racial minorities.[1]

Concerning the effects of redlining, it is argued on one hand that the practice helps to confirm the negative expectations of its practitioners. Fearful that loans will be defaulted as capital values in a deteriorating neighborhood decline, lenders refuse to make loans or do so on such restrictive terms (low loan-to-value ratios, shorter than usual repayment periods, or higher than usual interest rates, that prospective owner occupants look for homes in other locations where easier financing is possible, causing a shift of dwellings to rental tenure. And current owners in the neighborhood elect to defer maintenance, replacement and modernization expenditures, thereby reinforcing the tendency for capital values to fall steadily. For their part, lending institutions and their defenders argue that their assessment of the degree of risk in marginal neighborhoods is solidly confirmed by experience (e.g., the high default rate on FHA loans in the inner city) and, in any case, that their terms become restrictive well after housing demand and prices in marginal neighborhoods begin to decline. If prospective home buyers or home improvers in such areas ar prevented by lack of

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1 Baptiste, "Attaching the Urban Redlining Problem," Boston University Law Review, Vol. 56 (1976), reprinted in Roger Montgomery and Daniel R. Mandelker, Housing in America: Problems and Perspectives, 2d Ed. (Indianapolis: Bobbs-Merril Company, 1979), p. 345. Jack M. Guttentag and Susan Wachter, "Redlining and Public Policy," Monograph 1980-81, Monograph Series in Finance and Economics, Graduate School of Business Administration, New York University, 1980. Also, George J. Benston, "Mortgage Redlining Research: A Review and Critical Analysis," Prepared for the Conference on Financial Institution Regulations, sponsored by the National Science Foundation and the Federal Reserve Bank of Boston, October 1979.

financing from carrying out their plans, the counter-argument concludes, they have been well served.

There are no studies which conclusively resolve this empirical question. Specific instances can be found where redlining was premature, thus contributing to deterioration. Equally, there are cases where redlining has been no more than a consequence of neighborhood decline. In any event, lenders themselves have begun to recognize that even if their individual decisions to withdraw from a neighborhood are based upon sound business judgment, the collective effect may be to aggravate the situation they sought to avoid. Partly because of this recognition but more often because of community pressure and government intervention, they have begun to alter their practices. Still, further reforms could be instituted that would transform into insurable risks some of the uncertainty which contributes to the disinvestment process, and possibly the risks themselves could be reduced. Since new automobiles, which depreciate faster than old homes, are cheerfully accepted as collateral for loans, any piece of real property which has market value should be acceptable as security for a loan, whether it is located in a declining area or a growing one and whether it has three years' or thirty years' remaining useful economic life. By the same token, one cannot reasonably expect mortgage lending institutions to commit their funds to neighborhoods which the local government has seemingly written off, a point given central importance in the Neighborhood Housing Services Program (NHS).1

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1 See Roger S. Ahlbrandt, Jr. and Paul C. Brophy, An Evaluation of Pittsburgh's Neighborhood Housing Services Program (Washington: U.S. Department of Housing and Urban Development, 1975), 41 and passim.

3. Externalities In neighborhoods experiencing incipient deterioration, certain dwelling/owner combinations will inevitably fall below their "decay threshholds" before others. If an appearance of shabbiness becomes extensive, the prices and rents of nearby well-maintained properties are likely to suffer.[1] This in turn will result in further succession and further decay. Were it not for the fact that ownership of properties in neighborhoods is usually scattered among a number of different individuals, the threshhold of decay would be higher since a single owner would perceive the need to make otherwise uneconomic repairs to individual properties in order to protect his entire neighborhood investment. Similarly, property owners in deteriorating neighborhoods are not apt, unilaterally, to make repairs that would be economic only if other owners took steps to improve their structures as well.[1]

Another type of externality which may be responsible for reducing property maintenance is the disruption of inter-owner social ties and sense of community.[3] Neighborhood social cohesion is thought to encourage property upkeep both directly and indirectly. Directly it can reward maintenance and improvement

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1 John Kain and John Quigley, "Measuring the Value of Housing Quality," Journal of the American Statistical Association 65 (June 1970) pp. 532-548.

Douglas Diamond and George Tolley, eds., The Economics of Urban Amenities, (New York: Academic Press 1982).

2 Richard Taub, Garth Taylor, and Jan Dunham, Paths of Neighborhood Change, (Chicago: University of Chicago Press 1984), Ch. 6.

3 Roger Ahlbrandt and James Cunningham, A New Public Policy for Neighborhood Reservation, (New York: Praeger, 1979).

efforts with positive social feedback and can punish inadequate efforts with social criticism. Indirectly it can encourage the formation of norms of "group solidarity" whereby individual owners are less likely to impose negative externalities on their neighbors because to some extent their preferences have become interdependent.[1] Given this relationship, it may be posited that the turnover of ownership may sometimes fracture collective norms of solidarity, and thereby erode this fillip to upkeep. This consequence is likely to be more severe if the turnover is rapid, involves an increase in rates of absentee ownership, or is associated with differences in race, ethnicity or life-style between inmigrants and original residents.

Public Policies and Programs

Analysts of widely differing political persuasions have argued that the public sector itself is partially responsible for neighborhood decay. It is possible here to treat the full array of views only in outline form, offering conclusions based primarily on the work of others. There are eight areas of criticism that we have been able to identify.

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1 George Galster, "A Neighborhood Interaction Model of Housing Maintenance and Quality Changes by Owner-Occupants," Regional Science Perspectives 11 (#2, 1981) pp. 29-48.

George Galster and Garry Hesser, "The Social Neighborhood: An Unspecified Factor in Homeowners' Maintenance", Urban Affairs Quarterly 18 (Dec. 1982), pp. 235-254.

Galster 1987, Ch. 9, op. cit.

Phillip Clay, Neighborhood Revitalization, (Lexington: D.C. Heath, 1979) Ch. 3.

1. Rent control: The argument is twofold: (a) that controls prevent and lords from undertaking adequate maintenance and therefore lead to structural deterioration and abandonment; and (b) that they discourage new construction. In theory, there is no reason that well designed controls should have these effects. Equally, though there may be no reason, absent war or other comparable crisis, to have controls at all. New York City was the only U.S. community having rent control regulations during the 1960s and 1970s when accelerating housing deterioration and abandonment became a serious national concern. Controls could hardly, therefore, have been a contributory factor. In New York itself, because of the particular features of the rent control ordinance, market rents in the worst sectors of the stock were frequently below the levels which the controls allowed. Additionally, over a period of time nearly all structures subject to controls exchange ownership, and the expectation of control were capitalized. There are nevertheless, serious questions which could be raised about rent control with respect to its potentially depressing effect on the volume of new construction, hence on housing quality over the long term. The view, however, that controls necessarily lead to under-maintenance and abandonment seems unsustainable, even though other arguments against controls could reasonably be raised.

2. Code enforcement: Here the criticism is simply that for many structures the cost of required repairs may be so great relative to expected rents that landlords would prefer to close down rather than fix up, thus aggravating the shelter problem for lower income groups while at the same time contributing to the visual decline of

the neighborhood. An analysis by Schaaf, however, suggests that if the choice is fix up or close up, landlords might be willing to undertake much greater repairs than commonly thought, rather than lose the entire income flow from their buildings.[1] If the cost of repair is less than the discounted expected net revenue over the life of the repairs, landlords should be expected to fix up. Nevertheless, it is true that in depressed markets where required repairs, though relatively modest, have approached the value of the structures and the appropriate discount rate is quite high, the rational response to enforcement has been abandonment. Our principal reservation concerning the code-enforcement argument, however, is that except for a few sporadic bursts of activity, cities have not enforced housing codes either vigorously or uniformly across their housing inventories. The amount of neighborhood decay caused by enforcement, therefore, must be slight, and comment on the favorable effects of appropriate enforcement has come form responsible landlords whose investments are frequently threatened by their less responsible neighbors, both homeowners and investors.

3. Real property tax: There are two quite different criticisms that have been made. The first is that have been made. The first is that because the tax is ad valorem, owners are not encouraged to keep their structures in repair or to upgrade already deteriorated structures, because such action invites higher tax assessments and tax bills. Conceptually, the argument is without foundation and no empirical support for it has been found. Proper

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[1] A.H. Schaaf, "Economic Feasibility analysis for Urban Renewal Housing Rehabilitation," Journal of the American Institute of Planners, November 1969, pp. 339-404.

maintenance or modest repairs to deteriorated structures rarely result in higher assessments because they do not affect basic value and ordinarily do not even come to the attention of a tax assessor.

The second criticism is that the real property tax is so high, typically accounting for a least 15% of gross housing expense, it is comparable in effect to an exhorbitant sales tax, discouraging housing consumption among the very groups whose housing conditions are of greatest public concern; and further, that it is adjusted downward too slowly in neighborhoods experiencing declining values. The argument is valid, and various compensating measures, i.e., exemptions for certain groups nd tax abatement tied to upgrading, have been adopted in a number of states and cities. Additional measures, such as graduated tax schedules, have been proposed. How rapidly tax reform will continue and what forms it will ultimately take are difficult to predict.

4. Federal income tax: For a period of time, there was a body of opinion to the effect that accelerated depreciation of newly constructed buildings, allowed under the Internal Revenue Code, encouraged shoddy construction. Because investors expected to dispose of their buildings after six or seven years when the tax benefits of accelerated depreciation had been exhausted, they used cheap materials and equipment that would require expensive replacement after ten years or so. A somewhat similar argument has been applied with respect to older existing structures. Empirical support for this argument as it applies to new construction consists of rotting, recently built structures. These appear to be rare exceptions, and in the exceptional cases, the buildings have been

constructed under federal subsidy programs. There is also no empirical evidence that the Internal Revenue Code has encouraged slum formation in older neighborhoods.

5. Federal housing and transportation policies that encourage urban decentralization: Critics of the urban scene have blamed the decline of central cities on the encouragement underwriting practices, highway subsidies, and related federal policies have given to suburban investment. It is alleged that the "flight" to the suburbs would not have occurred or been so pronounced but for federal support. The argument fails to recognize several salient facts about suburban growth and the thinning-out of central cities. First of all, most of the expansion that occurred in the suburbs could not have easily taken place within city borders. It was growth that simply spilled over municipal boundaries. One might criticize the configuration of this growth as being ugly sprawl or unnecessary scatteration, but the inevitability of the growth is beyond question. What hurt cities was the fact that, for reasons outlined earlier in the essay, suburbanization meant a loss of upper income groups. Second, to the extent the argument is concerned with absolute losses of population and employment, not simply differential growth rates, it ignores the long history of urban deconcentration. The thinning out of the inner areas of central cities began prior to the turn of the century but was obscured by corresponding growth in outer areas of the cities. Federal transportation policy may, however, have accelerated the process. In addition, it should be noted that throughout the latter part of the 19th century and the first half of the 20th century, urban experts were constantly stressing the need to decant crowded slum areas. Parts of British

and American cities were considered unlivable at then existing densities. If federal policy can be assigned part of the blame, perhaps it should also be given some kudos as well. Whether in our federal system of government and within reasonable federal budgetary constraints a better growth management program could have been devised is the question.

6. Lax FHA underwriting practices: Curiously, since the federal government has been severely criticized for failing to do more to eliminate redlining and has even been itself guilty of direct and indirect redlining, a number of analysts attributed decline in some racially changing neighborhoods to the availability of FHA insured loans on excessively liberal terms. Easy credit and unrealistically high property appraisals have, it is charged, permitted black households to make purchases at prices which cannot be sustained over the longer term. In some cases, the high appraisals have been the results of actual collusion, whereas in other instances they simply ignore the fact that demand from black households is often not great enough to offset totally the loss of white demand that racial change unfortunately still often entails. In either case, however, once home values begin to slide, defaults and abandonment occur at a significant scale, seriously weakening neighborhood stability. As an explanation of neighborhood decline in specific situations, the argument appears to have considerable merit. How widespread such situations are, however, we do not know.

7. Federally subsidized new construction: Since, by definition, the excess of newly-built dwellings over household formation in a given time period must equal inventory loss plus net

increase in vacant units (with usually minor adjustments for conversions and mergers), the large expansion of federally subsidized new construction in the late 1960s and early 1970s has been blamed by a number of observers for the housing abandonment and related decay that occurred in inner-city areas at that time. Public assistance to housing construction is felt to have created unneeded inventory and to have siphoned demand away from marginal neighborhoods that needed such demand to remain healthy. This result might have been avoided through sensitive placement of subsidized units accompanied by collateral neighborhood programs and appropriately placed demolition, but fine-tuning of this sort was impossible.

Appealing as this argument may seem, it runs into difficulty from several analyses indicating that construction subsidies did not have much effect on total volume of housing starts because of strong substitution effects.[1] If, however, there is any validity to the notion that a small amount of decay and abandonment may in some instances trigger further decline, even the modest increment to home building for which the subsidies were evidently responsible may have had serious consequences in certain communities. Also, substitution effects were probably not uniform across market areas, and within market areas the impact of small amounts of additional construction may have been highly localized.

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[1] Michael P. Murray, "Subsidized and Unsubsidized Housing Starts, 1961-1977," unpublished paper, U.S. Department of Housing and Urban Development, August 1979. Also Craig Swan, "Housing Subsidies and Housing Starts," American Real Estate and Urban Economics Journal, Vol. 1 (Fall 1973), pp. 110-140.

Regardless of what one may conclude with respect to the consequences of past subsidies, a larger question remains. To the extent that construction subsidies are used not only to assure enough home building to accommodate population growth but also to enable households in substandard accommodations to move to better units, and to the extent such subsidies are efficacious in this regard, they will create inventory excesses and thereby depress prices and rents somewhere in the market. That "somewhere" may easily be the "wrong where," if adjustment to the injection of extra supply is left entirely to the private market to accomplish.

8. Decline in Level of Public Services and Protection: It is alleged that since political clout is somewhat proportional to income and wealth, once neighborhood succession reaches a certain point, the public sector reduces its expenditures for neighborhood housekeeping, social services, and maintenance and replacement of infrastructure. It also becomes more relaxed about enforcing local codes and preventing the intrusion of land uses that would be regarded as nonconforming in other neighborhoods. This general premise of public neglect appears to underly the NHS program. The opposing view is that lower income households make more demands on the system and that their neighborhood infrastructure, being quite old requires greater than average maintenance outlays, so that on balance public-service inputs in lower-income neighborhoods are higher than they are in other neighborhoods even though the outputs may be inadequate. We have no data which would resolve this issue.

Thinning-Out of Central Cities

Certain aspects of the phenomenon have already been alluded to in connection with our discussion of succession. Because it is so

widespread and misunderstood, however, we feel some elaboration is merited. Urgently advocated as an objective in the early part of the century when cities were crowded, thinning-out is now felt by many observers to add an extra dimension to the residential disinvestment process, both accelerating the process and being a partial consequence of it. Whereas in prior years landlords could count on a steady demand for inexpensive, substandard accommodations and therefore found ownership of inner-city residential real estate quite profitable, today they perceive neighborhood decline as a precursor of permanently high vacancy rates and related problems. As a result, values of their properties are quite low in relation to rents; the incentive to maintain is eroded; and abandonment is a more certain consequence of code enforcement, vandalism, or fire. As deprived low-income households follow more well-to-do families outward, negative expectations produce more decline, more abandonment, and hence more outward movement than would otherwise occur. Decline brings about additional new construction rather than the reverse, as commonly argued.

It is out impression that in most instances, phrases such as market instability, galloping decay, self-aggravating forces of decay, and the like, refer to situations of thinning-out. Implied in these references is a conclusion that unnecessary and undesirable succession is occurring, succession that can and should be thwarted through neighborhood stabilization efforts. Were such resistance to low-income entry to be mounted in the face of a quantitative housing shortage for lower income groups, it would merely move the problem around, whereas if thinning is occurring, it may reduce or localize negative effects.

Thinning-out has probably occurred, however, primarily because of rising incomes and the emergence of the automobile society, and only secondarily because of the urban decline which ensued. Absent the low-income factor, it quite possibly could have progressed without much neighborhood deterioration. Also, if low- rather than high-income households had suburbanized, the boundaries of decay and abandonment would not have spread, and loss of central-city population due to deteriorating environmental quality would not have happened.

A firm conclusion is difficult to reach. In one community -- with a large low-income population, South Bend, Indiana -- deconcentration appears to have proceeded in an orderly fashion, and selective demolition of single-family detached homes in one of the community's inner-city neighborhoods has resulted in a more pleasant physical environment than previously existed even though the neighborhood remains predominantly low income. Quite different results are more typical. None of the inner-city examples one could cite, however, illuminate the question of how much decay might be produced by thinning-out low-income and problem populations were not present. Here we have to look elsewhere for insights -- to shrinking farming and mining communities and to the boarding-up of residential structures that occurred in many neighborhoods during the 1930s. In all of these cases it is our impression that the amount of deterioration of the remaining occupied structures and is fairly moderate, and although some depopulation may very well have precipitated further outmigration, abandonment has not been viewed

with the same sense of alarm it evokes in urban centers. Unfortunately, one can accept all of these observations without moving any closer to an understanding of how to deal with thinning-out in the usual circumstances where the residual population includes a large number of deprived households. In the next and final section of the essay, therefore, we explore the process in more detail.

Overall, what can be concluded about the contribution of factors other than low income to neighborhood decay? How much decay would have been observed in the absence of these factors? Equally, how much decay would have occurred in the absence of a deprived population? We know, of course, that given the existence of needy households who are spatially concentrated, physically deteriorating neighborhoods are inevitable. It is the role of other factors in accelerating the spread of decay outward from these areas and into sound neighborhoods that demands explanation. Unfortunately, the magnitude of their individual and collective impact seems impossible to detect. All that can be firmly concluded is that since succession is the constant companion of urban growth and change, so too will be the decline of at least some neighborhoods until society has solved the low-income problem.

VII. NEIGHBORHOOD ABANDONMENT

To borrow an academic aphorism, it is not the questions for housing policy that change through time, only the answers. To this generality there is a notable exception, the issue of housing and

neighborhood abandonment.[1] Fewer than 30 years ago it was not this phenomenon but its obverse that vexed students and makers of housing policy. Reasoning that old housing was equivalent to bad housing, they fretted that the rate of withdrawal of aged structures from the housing stock was too slow; houses continued to be occupied long after they had ostensibly ended their "useful economic life." Beginning around 1960, however, events overtook this perception. Abandonment became common, then in some cities almost epidemic:

"In New York, between 1965 and 1968 it has been estimated that sufficient units were abandoned to house more than 300,000 persons. A similar if less extreme situation exists in most large eastern and midwestern cities."[2] By the early 1970s few serious observers that "If the forces producing unnecessary boarding-up are not arrested, 'any achievable program of new construction will continue to be swamped by the hemorrhaging that is now bleeding our supply of existing housing ...' and efforts to renew the inner city will be overwhelmed, as they already have been in New York and Philadelphia."[3]

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1 For analytical purposes, abandonment is often defined as the permanent removal of a dwelling unit from the housing stock and the relinquishment of ownership rights and responsibilities for the unit through failure to pay real estate taxes or to seal the structure properly prior to eventual demolition. Operationally, however, cities make estimates of all permanent withdrawals without attempting to distinguish those which involve derelict properties or delinquent taxes. Our discussion also treats abandonment and permanent withdrawal as synonymous.

2 Grigsby and Rosenburg, op. cit., p. 157

3 Ibid., p. 158

Abandonment is perceived to be a serious problem for two quite different reasons. First, the sheer presence of permanently vacant structures -- even those which have been carefully sealed -- is felt to have a negative effect on the living environment and investment horizons of nearby residents and owners. Presumably, if buildings for which there is no longer any demand could either be boarded-up in an aesthetically attractive manner (as has occasionally been done) or could be quickly scrapped and their sites restored to visually pleasing open space, this concern would abate. The problem of dealing with these vacant structures is obviously greatest in row-house and apartment neighborhoods where demolition and site restoration is expensive and often cannot be done at all without marring the appearance of the block front.

A second more serious concern is that the large-scale abandonment which many cities have experienced reflects the premature withdrawal of dwellings from the housing stock as a consequence of avoidable events and trends (including the prior withdrawal of nearby units) which unnecessarily shorten the economic lives of dwellings. This concern requires elaboration because it is what gives importance to an inquiry into the causes of and remedies for abandonment. There are many kinds of change which may produce permanent vacancies in parts of the housing stock, vacancies which cause owners to board-up or abandon or demolish the structures. Most such changes -- population decline, new construction in excess of household formation, shifts in housing preferences or employment locations, rise or fall in real incomes -- express themselves through the process of neighborhood succession in such a way that permanent vacancies should occur almost entirely at the lowest level

of neighborhood quality and be limited to properties in the worse condition, or in least demand for other reasons (Figure D). But as has been observed, "The fact is that abandonment occurs across value and quality ranges. While less valuable properties in lower income areas are most likely to be affected, within any given area many of the worst properties will not be abandoned, and among those which are, will be included properties of seemingly better quality than many which remain inhabited.[1] This does suggest the possibility of some sort of market inefficiency that public policy could address.

What most needs explaining, therefore, is not why abandonment ocurs in already quite deteriorated neighborhoods. Boarding-up in these neighborhoods may, due to various market imperfections, be excessive, but the number and cost of unnecessary losses are probably not very great. The troubling questions have to do with the extent and nature of possibly preventable abandonment in neighborhoods which, prior to commencement of the process, appeared, at least superficially, to be in demand. What proportion of all abandonment occurs in such neighborhoods? It is caused by the same forces that are said to initiate abandonment in more deteriorated neighborhoods -- vigorous code enforcement, problem tenants, inadequate rental income, and inability of owners to borrow money to finance repairs and renovation -- or do other reasons predominate? And finally, regardless of the initial cause of boarding-up does the existence of visible permanent vacancies in a lower income neighborhood precipitate deterioration and further abandonment?

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[1] Sandra Featherman, "Residential Abandonment: Its Early Stages of Development," J. Environmental Systems, Vol. 7 (1), 1977-78, pp. 2-3.

To our knowledge, there has been no attempt to determine how much abandonment occurs in apparently still viable neighborhoods or to ascertain whether abandonment may trigger decline in these neighborhoods. There has, however, been at least one systematic examination of the causes of early abandonment. In her pathbreaking inquiry into this issue Sandra Featherman focused on three adjacent census tracts, with differing socio-economic characteristics, in Philadelphia. These tracts were chosen because 1972 estimates of their long-term vacancy rates, while low, indicated the possibility of incipient residential abandonment.[1] Relevant data were assembled from a mixture of sources -- published materials, field observations and interviews with owners, tenants, brokers, and public officials. Featherman discovered for one thing that:

> "The properties found to be among the first abandoned within the study area [a marginal but not badly decayed neighborhood] were generally those which were older and much larger or smaller than the prevailing neighborhood pattern, such as two-bedroom and six-bedroom houses. The difficulty in selling properties such as these which are too large or too small for the type of demanders being drawn to the neighborhood evidently makes the properties more prone to abandonment..... Since the demand for them is low, such properties are more likely than others in the area, when placed on the market, to be vacant for long periods of time. While vacant they are at risk to vandalism. In the study area almost all of the abandoned properties had suffered from severe acts of vandalism.[2]

Each year a few houses throughout the inventory, even houses in high-quality neighborhoods, suffer extensive property damage. In

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[1] Ibid., p. 2.

[2] Ibid., pp. 10-11.

most cases, necessary repairs are made promptly. In the neighborhoods Featherman studied, however, "The high costs of repairing the damage relative to the post-repair value of the structure was generaly what had precipitated the owner's withdrawal of maintenance from the property. In addition, in cases where it might have been economically feasible to rehabilitate and resell the houses, fear of further acts of vandalism inhibited owners from reinvesting in these properties."[1] She goes on to report that in the eyes of many owners of vandalized houses, "Rehabilitation is seen...as an inordinate risk. They know that by not rehabilitating they lose the entire value of the property, but rehabilitation does not guarantee a sale and would risk the loss of funds put into improvements if the property is revandalized before it can be sold and its title transferred."[2]

More generally, decisions to abandon damaged properties reflect an unfavorable relationship between prevailing market values and the cost of necessary repairs. When estimated restoration expenses approach or exceed the resale value of the repaired building, the individual investor has little or no incentive to make the outlays. If, in addition, individual investors are pessimistic about the neighborhood's future -- in particular, about prospective rents and resale values -- they are even less likely to make extensive repairs and more likely to board up the damaged building. An owner may well reason that it is wiser to take a tax loss on the property and invest any proceeds from insurance elsewhere.

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1 Ibid., pp. 11.

2 Ibid., pp. 12-13.

Abandonment in Featherman's study sample was, then, not initially the consequence or terminal point of a long period of neighborhood decline and decay. If her findings are representative rather than idiosyncratic (to date the study has not been replicated), abandonment occurs in neighborhoods of sound quality overall, because despite their acceptable physical condition, the housing units within them have, as a group fallen in value to "the point of no return," that is, the point at which the expense of unsubsidized rehabilitation or new construction cannot be recovered, given current income levels of residents, rent/income ratios, and gross rent multipliers. A neighborhood at the point of no return is not necessarily doomed to decay, but it is vulnerable to that fate for two reasons. First, any new construction or major upgrading of existing structures undertaken elsewhere in the community will further depress relative housing values in this particular neighborhood and thereby further discourage new construction or rehabilitation within its boundaries. Second, owners who suffer major property loss from vandalism, fire or other disaster will have little incentive to restore their holdings to habitable condition. Moreover, if badly damaged and abandoned buildings in the neighborhood are not promptly demolished or returned to good condition through some form of governmental intervention, their presence may, according to many observers, provoke greater disinvestment than would otherwise have been the case.

Although Featherman's study points to circumstances where abandonment of housing is unnecessary, undesirable and avoidable, abandonment probably reflects an absolute excess of low-quality,

obsolete dwelling units in low-quality, obsolete neighborhoods. Under the influence of rising real incomes in the population generally and of declining inmigration from rural areas, the number of households demanding inner-city residences has dropped substantially - an outcome foreseen by some housing analysts as early as the 1950s. What was not anticipated was the actual spatial distribution of abandoned units. Because so many older dwellings are so much alike, the gradually increasing supply of obsolescing or obsolete dwellings is spread over a large area rather than being concentrated in a few blocks. So instead of neighborhoods dying quickly, one or two at a time, a large number of them are abandoned slowly and painfully.

Recycling abandoned structures in early abandonment areas under these conditions, without concurrent efforts to raise overall demand for housing in the affected neighborhoods, will usually prove fruitless, as several abandoned-house programs have shown. Whether simply removing the units would be any more effective in forestalling further abandonment and preventing incipient decay from gaining momentum is also uncertian. If, as Featherman's findings suggest, early abandonment often precedes decline, it may also precede low-income entry, but removal alone will not basically alter either immediate or overall market conditions that position the neighborhood for such entry. Strategies to concentrate abandonment have been suggested[1] but appear extremely difficult to implement. Traditional redevelopment, which potentially could make the process

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[1] James Heilbrun, "On the Theory and Policy of Neighborhood consolidation," Journal of the American Planning Association, Vol. 45, No. 4, October 1979, pp. 417-426.

of thinning out much less painful, is eschewed, presumably because of its unpopular history and the lower cost of triage, i.e., simple neglect.

VIII. FORMULATING NEIGHBORHOOD STABILIZATION AND REVITALIZATION STRATEGIES

Cities development what they call neighborhood stabilization strategies in a two-step sequence. First, treatment areas are designated and then, usually in cooperation with resident groups, an array of interventions that are felt to be desirable and fundable is specified. Even at a theoretical level, the same selection/treatment approach is pursued. Triage, for example, requires that all neighborhoods be grouped into three broad categories, only one of which will receive assistance. Other analysts have divided neighborhoods into five or six treatment categories. Goetze and Colton go even further, assigning neighborhoods to one of twelve categories, with different recommended types of intervention for each.[2] The actual process which cities go through in selecting target neighborhoods and designing programs for them may be quite lengthy and detailed. Basically, however, it involves only the same two basic steps: Segmentation of the housing market into neighborhoods and prescription of treatments that seem appropriate to deal with the observed conditions in the neighborhoods designated for assistance. The process has not changed materially in over twenty years. Thus, the Central Urban Renewal Area plan prepared in Philadelphia in the mid-1950s

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[1] Rolfe Goetze and Kent W.Colton, "The Dynamics of Neighborhoods: A Fresh Approach to Understanding Housing and Neighborhood Change," Journal of the American Planning Association, 46:2, April 1980, pp. 184-194.

was precisely the same as today's triage strategy except that instead of ignoring neighborhoods that seemed beyond help, it proposed to demolish them.

This general approach falls far short of producing what could accurately be described as a community neighborhood stabilization strategy. Superficially, it appears to be comprehensive because it normally does place every piece of a community's real estate into a treatment or non-treatment category. It is deficient, however, in several respects. First, it assumes that neighborhood problems can be eliminated by neighborhood scale interventions, failing to distinguish between neighborhoods and submarkets or to recognize larger scale forces of decline. Second, it ignores possible negative interactive effects, assuming that improving the health of some neighborhoods can always be accomplished without adversely affecting and possibly improving the health of others. Third, it does not address the basic demand conditions of neighborhood decline. And finally, it is status-quo oriented, failing to ask what alternative futures might lie in store for the neighborhood ten or twenty years from now under different strategy assumptions.

The construction of community neighborhood stabilization policies demands a quite different approach. Following from the determinants of neighborhood decline, discussed in the previous sections there are four broad stabilization/revitalization strategy thrusts that could be pursued singly or in combination. These are:

a. market stabilization

b. dispersal of low-income and "problem" populations

c. containment/revitalization

d. reduction in the size of low-income and probblem populations, i.e., reduction of poverty.

We will critique each of these in turn and then indicate the policy direction that seems implied by their limitations.

Market Stabilization

Implicit in many neighborhood stabilization efforts and discussions is the view that neighborhood stabilization and market stabilization are more or less synonymous. Two separate analyses articulate this position formally. Goetze and Colton describe a stable neighborhood as one in which "supply and demand balance out," the measure of balance being the "relative number of households desiring to move into, stay in, or leave" the neighborhood.[1] Upward and downward instability are equated with "rising" and "weak" markets. Presumably, where downward instability exists, an adjustment in price will restore equilibrium except at the bottom of the stock where there may be no demand at suppliers' reservation prices and dwellings therefore remain vacant.

A similar, if more elongated, definition of neighborhood stability specifies the conditions for stability as follows:

> "....neighborhood [emphasis added] equilibrium may be said to exist when dwellings are not being filtered or when an area's dwellings are receiving the best possible maintenance consistent with normal profits. In popular terminology, these are stable neighorhoods. A neighborhood in disequilibrium, one whose housing stock is being filtered in response to exogenous changes in conditions of supply or demand, may be stable so long as the market adjustment process ultimately produces a normal rate of return to investors. In short, a neighborhood housing market [emphasis added] is stable when it is in equilibrium, or, if in disequilibrium when there exists an

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[1] Goetze and Colton, op. cit., p. 185.

> equilibrium solution. By equilibrium solution is meant the existence of some achievable combination of dwelling values, rents, vacancy rates, and operating costs that will result in normal returns to neighborhood investors. Neighborhood instability exists where there are no achievable operating and market conditions which will yield normal profits. Self-correcting market forces are operative where neighborhood equilibria exist or are possible and are inoperative or self-aggravating where equilibrium conditions do not or cannot exist.1

It can be seen that in both of these formulations, stability can coexist with either housing deterioration or neighborhood succession. Yet all would agree that deterioration and, in many cases, succession are incompatible with the objectives of neighborhood preservation efforts. The reason for this apparent contradiction is that each of the two formulations describes market stability, a condition which is a prerequisite to, but less than, neighborhood stability.

Market stability is typically sought in two ways: first, by attempting in various ways to increase housing demand, hence investor income and property values, in the unstable area; and second, by converting uncertainty about the future into insurable risks so as to alter the context within which rational-investor behavior occurs and to reduce the liklihood of self-fulfilling negative prophecies. If the efforts to expand demand are successful, the supply-side is likely to be amenable to solution also. If demand cannot be altered, however, investment risks may be too high to insure. In some, perhaps most, metropolitan market contexts it is improbable that demand could be increased in all declining neighborhoods. As a

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1 Michael A. Stegman and David W. Rasmussen, "Neighborhood Stability in Changing Cities," The American Economic Review, Vol. 70, No. 2, May 1980, p. 417.

consequence, a market stabilization strategy should proceed within the context of market forecasts of the way in which housing demand is likely to play itself out in different parts of the metropolitan area under alternative strategy assumptions. To our knowledge such forecasts are neither being made or recommended.

Dispersal of Low-Income and Problem Populations

In the 1930s and 1940s when public housing was a topic of heated debate, one of the most controversial issues was whether slums were the cause or the consequence of residents' behavior. After a time, the argument that "anti-social" behavior might be a part of the housing problem wilted in the face of evidence describing the severe deprivations of low-income, middle-class families. Recently, however, this argument has been given new life in new form. As we have already discussed, it is now recognized that the quality of neighborhood environments is determined to a large degree by the composition of neighborhood populations and therefore that neighborhood stabilization and revitalization require the creation or maintenance of a desirable (up to now, undefined) population mix. Worded in reverse, it is impossible for lower income households to have a suitable living environment if they live in the same neighborhood with each other because too large a proportion of them are not good neighbors. It is not possible to bring decent schools, housing, and other desired attributes of non-low-income areas to low-income neighborhoods because too many of the residents themselves are blighting.

On the basis of this assessment, it has been proposed that the way to protect sound neighborhoods and stabilize declining ones is

by reducing the spatial concentration of low-income groups. Stabilization of neighborhoods through a policy of population dispersal was argued strongly by Downs in Opening up the Suburbs.[1] Perhaps influenced by Downs, the 93rd Congress adopted such a policy in the Housing and Community Development Act of 1974.

> "The Congress finds and declares that the nation's cities, towns, and smaller urban communities face critical social, economic, and environmental problems arising in significant measure from...the concentration of persons of lower income in central cities."

One specific objective of the Act is, therefore,

> "the reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income..."

What Downs and Congress appear to be arguing, in other words, is that unpleasant neighborhoods would not exit if lower income households were so scattered that they could not create a deprived environment. It is clear too that deconcentration is seen as a vehicle for helping low-income households as well as revitalizing the neighborhoods in which they live.

Almost by definition, if sufficient scatteration were achieved and maintained and the proportion of problem population were small enough, neighborhood decline could not occur. Nevertheless, the strategy itself raises a number of serious questions which have not been adequately addressed. When Congress found and declared concentration of low-income households to be a major problem, it did not

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[1] Downs, op. cit., Chapter 11.

explain how it arrived at such a judgment. Persuasive evidence in support of its position is not to be found either in the published hearings on the legislation or in Opening up the Suburbs. Clearly there is an assumption in the legislation that the incomes of lower income persons are in some sense too low and that the behavior of more than a few of the persons is different in a worrisome way. Otherwise problems of the sort which concern Congress would not arise. But precisely whose incomes and behavior patterns are troublesome? At what levels of too-low-income concentration do these problems feed upon each other and become exacerbated? Which types of person would have to be dispersed from areas of concentration in what number in order to stabilize the neighborhoods from which they departed? Are these the same types who would be most likely to benefit by dispersal or who would be most inclined to disperse if offered modest incentives to do so? What effects would the dispersion of different numbers of disadvantaged persons have on already stable neighborhoods in various current and probably future quality categories? At what cost would the desired amount of dispersion be achieved? Who else besides low-income per se may precipitate neighborhood decline in specific situations, hence how much investment should be allocated to deconcentration and how much to reducing poverty in place, eliminating marketing imperfections, and other types of intervention. Are there other faster and cost-effective approaches to the same objectives?

The answers to these questions, tentative as they must be in the absence of empirical evidence, are troubling. It is obvious that any large-scale dispersion program, even if phased in over a

number of years, would destabilize some of the neighborhoods of origin. There are only two ways to avoid such an occurrence. The first is through concomitant clearance of these neighborhoods. A variant of this idea -- combining clearance with more aggressive attempts to improve the overall living situation of displaced households -- received considerable support several years ago, just about the time clearance went out of style. In today's environment, it is unlikely that a recommendation to stabilize neighborhoods by eliminating them would be met with enthusiam. Yet only by eliminating the worst neighborhoods and widely dispersing their residents would marginally bad neighborhoods be relieved of the destabilizing threat from below.

The second way to prevent dispersion from having a destabilizing effect on the neighborhoods of origin is to encourage the outmigration of just the lower-class, troublesome households. Even though this would reduce aggregate demand for homes in the affected neighborhoods in the short run, it would eventually enhance their desirability. Levine has argued, for example, that in primary school classrooms if the number of difficult-to-teach children from disadvantaged homes reaches about 25%, quality of instruction declines precipitously.[1] Keeping the number of such children below the threshhold level would very likely have a favorable impact on neighborhood housing demand. Of course, if the proportion of "problem" youngsters in the population as a whole is close to the

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[1] Daniel U. Levine, "Racial and Socioeconomic Balance in Schools," in W. Grigsby et al., Re-thinking Housing and Community Development Policy, (Philadelphia: Department of City and Regional Planning, University of Pennsylvania, 1977), Chapter 6.

threshhold limit which Levine has identified, there are always likely to be some schools and neighborhoods above that limit. the same is true for problem households generally. Unless they were totally scattered, they might exceed the threshhold level for stability in many of the neighborhoods in which they reside. We have no idea if this is so, but it is not beyond the realm of possibility.

Regardless of the number and type of households which would have to be dispersed to stabilize the neighborhoods they left behind, practically speaking, it would be virtually impossible to devise a program that could single out and scatter only the "appropriate" ones. Almost certainly, most of those who used the subsidies to find better homes elsewhere would be the very households who had provided a measure of stability to their neighborhoods. Moreover, evidence is lacking that even a successful dispersion of problem families would be more cost-effective than treating the problems of these families in place or working around them with programs that would increase the attractiveness of their neighborhoods regardless of their presence. There are many lower income neighborhoods which (admitedly from a distance) have an aura of vibrancy about them and which perhaps could provide insights into the necessary stabilization ingredients. In addition, there are no studies that reveal the circumstances in which the basic thesis regarding concentration has merit, and whether concentration or simply an absence of economic opportunities is the culprit. A spatial approach to perceived problems relating to income distribution and

class structure may be helpful, but this possibility has yet to be demonstrated.

These reservations should not be construed as arguments against efforts to reduce the extreme locational inequality of low-income households in large metropolitan areas or against the desirability of income and class mixing at the neighborhood level. We wish only to raise a warning flag concerning dispersion as a strategy for stabilizing and revitalizing neighborhoods.

Revitalization/Containment

The earliest neighborhood revitalization programs were simple and straightforward. They pursued activities that seemed necessary to the creation of a suitable living environment for current residents, and whoever succeeded them. Over time, as more and more persons have come to realize that not only the quality of the physical and social environment of a neighborhood but also the strength of its market are heavily influenced by the composition of the resident population, the revitalization objective has become more ambitious -- to prevent or reverse neighborhood succession itself. Revitalization in this context implies keeping "those people" out and even replacing some of those who are already in residence with persons of higher status or income.

The effect of this policy in a few successfully treated neighborhoods is to divert too-low-income households who would otherwise have been able to locate in these neighborhoods into other less desirable, untreated ones. The effect of the policy, if pursued successfully on a large scale, is to "contain" these households in

the neighborhoods where they now live. Neighborhood groups attempting only to preserve their own living environments might be uneasy about the suggestion that their collective efforts would in any way restrict the legitimate housing opportunities of others. It should be emphasized, therefore, that "contain" is not used here in a pejorative sense. If too-low-income households are not randomly scattered throughout a metropolitan area, a large proportion of them will perforce be contained somewhere, no matter what revitalization strategy is pursued. So it should not necessarily be of concern that extensive revitalization would serve to restrict them to their present enclaves with reduced opportunity to move upward into slightly better areas. This is particularly so if their own neighborhoods are upgraded or if their very entry into nicer environments would precipitate decline of these environments. Questions do arise, however, concerning the likelihood that a revitalization strategy that relies on containment of too-low-income households can succeed and what some of the necessary ingredients of success might be. It is at these questions that our discussion is aimed.

Our first theoretical concern has to do with whether a revitalization/containment strategy undertaken on a large scale is doomed to failure because it exemplifies the fallacy of composition; that is, whether objectives that are attainable for Individual declining neighborhoods are unachievable for all of them. Imagine that all neighborhoods in an urban area are ranked according to a combined income/price/rent index and grouped into deciles, with the high-numbered deciles containing the lower status areas. In a situation in which either population growth or rising incomes

results in new construction in neighborhoods in the first five deciles, some of the neighborhoods below the 5th decile automatically drop in ranking. Relative to the area median, their prices, rents, and incomes are all lower. This is not just a statistical artifact. The lower ranking reflects the fact that they have dropped relatively, and possibly absolutely, in status.

The status-quo or hold-the-line approach to neighborhood stabilization cannot prevent this succession from occurring because it tries only to maintain the current absolute quality level rather than modernize areas so they can keep pace with rising average quality generally. On the other hand, even a strategy of upgrading may be hopeless for the lower quality neighborhoods as a group. When the number of households is increasing and only some of these households can afford new construction, succession is necessary to accommodate population growth. As a consequence, neighborhood revitalization of all the neighborhoods in the 6th to 9th deciles either will be unsuccessful in preventing neighborhood succession or will prevent needed construction from occurring. In theory, a strategy of upgrading might work in a metropolitan area experiencing rising incomes but no household growth, sicne continued upgrading is an alternative to new construction. In fact, however, even in metropolitan areas characterized by these conditions, new construction continues.

As noted above, the 1974 Act seeks to avoid the succession outcome through the creation of programs that would attract persons of higher income into deteriorating neighborhoods. If this trickle-down approach to helping poor neighborhoods were able to produce new

dwellings in old areas instead of in developing suburbs or if it involved recovery of abandoned dwellings, necessary expansion of the housing inventory and neighborhood stabilization could be achieved simultaneously. To the extent, however, that upper-income households simply displaced lower income households, neighborhood rejuvenation would represent a diversion of demand away from the new-construction market, a worrisome thought in a period when the volume of home building is widely felt to be inadequate to accommodate latent household formation.

How a substantial amount of displacement could be avoided in a successful program to attract upper-income demanders to marginal neighborhoods is a mystery. Affluent households will be drawn to lower status neighborhoods only if they expect these areas to rise in value and prestige, and the latter can occur only if upper-income households become predominant. Once values have risen, however, low- and moderate-income households will eventually all be replaced unless demand from more wealthy groups dissipates (something that does of course occur along the fringes of high-income neighborhoods) of if subsidies are provided. the subsidies required to maintain a genuine income-mix are inversely proportional to metropolitan size and density, but so is the problem of isolation that the subsidies attempt to address. In large metropolitan areas, therefore, income diversity at the neighborhood scale may be excessively expensive to sustain.

Because of the improbability of revitalizing all of a metropolitan area's declining neighborhoods in today's and tomorrow's social and economic environment, the question has arisen as to

whether the redirection of demand implied in successful revitalization is simply a zero-sum game. Are treated neighborhoods improved at the expense of untreated ones? We are not convinced that redirecting demand necessarily implies a zero-sum game or that zero-sum games should always be avoided. Directing a small number of low-income households into high-income neighborhoods, rather than allowing market forces to channel them into marginal ones, might save the latter while not having any significant impact on the former. Also, as has been observed by a number of analysts, in inner cities that are experiencing a growing excess of housing supply over demand, it might be possible to steer households into blocks of potential strength, thereby shoring up, say, eight out of ten neighborhoods rather than allowing all ten to languish.[1] On the other hand, channeling low-income households into moderate-income areas could conceivably weaken the neighborhoods of both origin and destination, a negative-sum result. Positive outcomes could also occur if owners could be encouraged (via, e.g., rehabilitation subsidies or homeownership subsidies) to avoid visible external housing deterioration and concomitant negative externalities to proximate residents and owners (cf. Galster 1987, op. cit., Chs. 11-14).

These examples suggest that the pluses and minuses have to be more carefully specified before concluding that they precisely offset each other. This is especially so, given that the resources

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[1] James Heilbrun, "On the Theory and Policy of Neighborhood Consolidation," Journal of the American Planning Association, Vol. 45, No. 4, October 1979, pp. 407-416.

injected into neighborhood programs do represent a net addition to investment and consumption in treated areas. Nevertheless, construction of a set of objectives for neighborhoods as a group forces recognition of certain inevitable zero-sum or worse consequences of any broad stabilization/revitalization effort. Low-income households must live somewhere; market values cannot be expected to rise everywhere or even in all treatment areas; and success cannot be measured by looking at individual neighborhoods in isolation of the entire urban area.

Reduction in the Size of the Low-Income Population

All of the preceding neighborhood stabilization strategies follow from an assumption that the poor will always be with us, or if not always, then for a very long time. The best stabilization strategy of all -- if it could be implemented successfully -- is simply drastic reduction of urban poverty. Achievement of that objective would remove the threat of neighborhood decline precipitated by the movement of deprived or otherwise problem households from 9th and 10th decile neighborhoods to better ones. With reduction or elimination of poverty as the strategy, a major focus of neighborhood stabilization and revitalization efforts would be on the 9th and 10th decile neighborhoods. These are the very neighborhoods which today are most likely to be triaged, even though it is in these areas that the sources of decline ultimately spring.

Prior to the recent recession, the size of the low-income population had been steadily diminishing even while neighborhood decay was perceived to be expanding beyond its earlier borders. These apparently opposing trends undermine theoretical support for

poverty reduction as an approach to neighborhood stabilization. If because of the thinning-out of central cities, low-income households continue to move into previously stable neighborhoods, the fact that deprivation is being reduced overall may be of little consequence. Whether, however, the boundaries of decay are actually expanding and poverty is shrinking may be questioned. And the conclusion that the country is ridding itself of poverty is based on an income (including transfer payments) definition of the problem that fails to capture the continued problems of the lowest 10th or more of the population. It is illogical to say that poverty has been reduced when all of the deprivations and anti-social behavior originally associated with low-income populations still persist.[1]

It is also somewhat illogical to view poverty reduction as a neighborhood stabilization strategy when it is a much more important goal in its own right. It is a goal, moreover, which some analysts feel could be facilitated by the strategy of deconcentration, discussed above. Enabling the poor to scatter would, it is argued, increase employment opportunities for low-income households by reducing the so-called jobs/housing mismatch. An extension of this argument appears in recent recommendations that inter-regional migration of workers be subsidized to enable unemployed persons in the declining areas to take advantage of growing employment opportunities elsewhere. Various misgivings have been expressed about the dispersion approach to poverty. Regardless of the merit of these

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1 Morton Baratz and William Grigsby, "Planning Programs for the Reduction of Poverty," Journal of Social Policy, August 1974.

objections, however, poverty reduction and deconcentration cannot be viewed as neatly separable neighborhood stabilization strategies. Nor are poverty reduction and containment/revitalization mutually exclusive, since many of the revitalization activities now being undertaken at the neighborhood level are aimed at impoverished individuals and households. Analyzing poverty separately does, nevertheless, serve two very useful purposes. It highlights the root cause of most neighborhood decline; and it emphasizes the fact that addressing poverty only within treatment neighborhoods will not protect those neighborhoods from the general forces making for decay.

An Integrated Strategy

Cities pursue neighborhood stabilization/revitalization through varying combinations of the four types of strategies described here. Their overall strategies are implicit; they are, in other words, products of the relative weight assigned to different activities. In some cities, whatever the implicit strategies are, success is a certainty becasue the size of the problems being faced relative to available resources is not great. In other cities, triage with a vengeance is the implicit strategy. There is no way in which sequential treatment of a few areas each decade is going to enable even all of the salvageable neighborhoods to receive attention. It seems desirable, therefore, for all cities to undertake a systematic review of their neighborhood stabilization and stabilization-related efforts for the purpose of determining what strategies are implicit in these efforts, what assumptions about decline and revitalization are implicit in the strategies, and where

the strategies are likely to lead both treated and untreated neighborhoods over the next decade. In view of how little is known about the extent to which different cities have been able to stabilize and revitalize their nieghborhoods overall, inter-city comparisons might also be helpful.

Review of a community's or metropolitan area's implicit neighborhood stabilization strategy should lead to the design of a new strategy involving all four of the approaches just discussed. the relative importance of each approach and the way in which the four would be integrated would differ from area to area, but every strategy should contain the following three elements:

1. Long-range (5-15 year) metropolitan area forecasts of employment, income, population, and housing, including forecasts for major and minor subsections of the areas, in order to establish the general setting within which stabilization/revitalization efforts will take place. Such forecasts of the way in which housing demand is likely to play itself out in various parts of a metropolitan area are needed as an input to realistic neighborhood-level planning. As mentioned at the outset, currently neighborhoods are assigned, both in theory and in practice, to various treatment or nontreatment categoreis based on today's conditions, not what the neighborhood is likely to be five or ten years from now. Which areas are likely to shift up or down, where abandonment may occur, what sections are probable candidates for racial change or transition, where it may be impossible to increase demand, are all questions about which judgments, however tentative, should be made. Similar forecasts revealed as early as 1960 that substantial abandonment was about to

occur in major cities as a consequence of low rates of household growth, high rates of increase in real incomes, racial discrimination, and "frictionless" intra-urban transportation. These background conditions have now sharply changed and have created a new environment of residential choice, the implications of which are not yet well understood. Thus, the forecasts will inevitably be fuzzy. At best, they can be stated in probability terms with large upper and lower limits. In addition, of course, they can and will be altered through planning. Nevertheless, they serve to set the outer boundaries of the neighborhood-stabilization problem, within which policies and programs may be formulated.

2. Short- and long-run operational objectives for every neighborhood that are individually and collectively realistic and consistent with the limited public sector powers to alter population and employment trends. Even if there is not total agreement as to what a neighborhood is or why neighborhoods decline, once sections of a city are selected for remedial attention, measures of accomplishment must be specified, or both the design of programs and their assessment take on a horse-back character. At the present time, sensible operational objectives have not been defined for neighborhood stabilizaton and revitalization programs. The objectives for similar types of neighborhoods vary considerably across cities; and within cities, different persons perceive different objectives even for the same programs.

Frequently, moreover, the objectives are not forward looking. Lacking a macro/historical perspective, neighborhood groups naturally

gravitate to removal of immediate problems rather than to consideration of longer term objectives. They seek to halt neighborhood change in time, an approach that virtually assures further succession and decline, albeit at a slower rate than previously. In addition, the collectivity of a community's neighborhood objectives may be implausible. For example, a common promise is an upward shift in property values commensurate with the investment in residential upgrading. Such a shift could occur only if one or more of four conditions eventuated: recapitalization of rents; allocation of a higher portion of resident income to housing; lower operating costs; or inmigration of higher income households. The larger the proportion of a city's neighborhoods that are assisted, the less likely these conditions could be met to the degree necessary to alter housing values significantly.

3. Plans and programs for every neighborhood that are plausibly related to operational objectives, and a supra-neighborhood stabilization/rejuvenation program for the community as a whole. The need for neighborhood plans seems self-evident, though in practice their quality and usefulness may be questioned. Perhaps more important is recognition that a successful neighborhood conservation strategy cannot be developed by aggregating neighborhood-scale interventions no matter how carefully these interventions are integrated and sequenced. Such an approach ignores variables affecting neighborhood stability that operate at successviely higher geographic scales, crossing neighborhood and even city boundaries. The success of neighborhood conservation/revitalization efforts will ultimately be somewhat in proportion to the ability of cities to

reduce crime, improve schools, and deal effectively with other problems that are not neighborhood specific and that lessen the attractiveness of inner-city life generally.

Progress in these areas is necessary to create a favorable neighborhood investment climate, broadly defined. Landlords must be able to expect profits commensurate with earnings which can be obtained on investments of comparable risk elsewhere. Owner-occupants must anticipate that money spent on upgrading and maintenance will be recouped through a better living environment and stable property values. Merchants must be persuaded that modernization of store fronts will help sales. City government must feel confident that street signs which are repaired will not be immediately vandalized. Ordinary citizens who sweep their streets or paint their walls or clear vacant lots must have similar confidence that their efforts will not be offset by youths who make graffiti or people who dump worn-out family belongings on the nearest available piece of open space. And parents who invest much of their lives and themselves in their children must know that their investment will not be cancelled out by poor schools, or drugs, or street violence. Lip service not to the contrary, there is no existing neighborhood stabilization stragegy either in existence or proposed that will appreciably improve the investment climate in more than a few declining parts of the city, and some policies; i.e., school busing, weaken commitment to neighborhood. What pass for strategies -- modest rehabilitation, maximum rehabilitation, neighborhood economic development (including enterprise zones), and similar efforts -- either do not address the question of investment climate at all or

do so at an inappropriate scale. An integrated neighborhood stabilization/rejuvenation strategy requires the geographic nesting of a broad array of social, economic, and physical interventions.

An integrated strategy also would give expression to the fact that, in view of the probably level and distribution of income over the next ten years, the freedom of households to move to any neighborhood they can afford, and related factors, continuing neighborhood decline cannot be everywhere prevented. It may in some cases even be a reflection of community economic progress. So in practice, stabilization programs in particular neighborhoods would be properly confined to market stabilization and related efforts intended only to prevent unnecessary succession from occurring. To a degree, this already happens but not by design.

Associated with the rise of neighborhood organizations has been a corresponding decline in respect for master planning of the sort just described. Such planning is frequently viewed as being ineffectual, stifling of local initiative, antithetical to many neighborhood objectives, and, because of the paucity of resources available to implement neighborhood programs, an exercise in futility. Even worse, by exposing the fact that some neighborhoods cannot be appreciably helped, it is seen as politically dangerous for the incumbency. There is really no choice, however. Planning at the neighborhood level cannot be effective without effective planning at the center, and, of course, vice versa. Neighborhood residents can recognize symptoms of illness and they can reject certain treatments or render them useless, but their ability to diagnose problems and the range of preventive and remedial interventions they can conceive is limited.

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